



**REPUBLIC OF ZAMBIA**

**MINISTRY OF AGRICULTURE FOOD AND FISHERIES**

**AGRICULTURAL COMMERCIALISATION  
PROGRAMME (ACP)**

**2002 – 2005**

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## ACRONYMS

ACF	Agriculture Consultative Forum
ACP	Agriculture Commercialization Programme
ADF	Agriculture Development Fund
AFS	Agriculture Finance Service
AIDS	Acquired Immune Deficiency Syndrome
ART	Agriculture Research Trust
ASC	Agriculture Steering Committee
ASIP	Agriculture Sector Investment Programme
BOZ	Bank of Zambia
CARE	Care International
CF	Conservation Farming
CLUSA	Cooperative League of the United States of America
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistics Office
DAC	District Agriculture Committee
DDC	District Development Committee
EEOA	Economic Expansion in Outlying Areas
EU	European Union
FMU	Financial Management Unit
FORCOM	Formulation Committee
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
GRZ	Government of the Republic of Zambia
GTZ	German Technical Assistance to Zambia
Ha	Hectare
HIPC	Highly Indebted Poor Countries
HIV	Human Immune Virus
IFAD	International Fund for Agriculture Development
Kg	Kilogram
MAFF	Ministry of Agriculture, Food, and Fisheries
MFIs	Micro Finance Institutions
MOF	Ministry of Finance
MOL	Ministry of Lands
NGOs	Non-Government Organizations
PACO	Provincial Agriculture Coordinator
PCD	Policy and Cooperative Department
PRSP	Poverty Reduction Strategy Programme
PSRP	Public Sector Reform Programme
PSU	Procurement and Supplies Unit
RIF	Rural Investment Fund
ROADSIP	Road Sector Investment Programme
SADC	Southern Africa Development Cooperation
SAP	Structural Adjustment Programme
SHEMP	Smallholder Enterprise and Marketing Project
SIDA	Swedish International Development Agency
ZAMSIF	Zambia Social Investment Fund
ZAMPIP	Zambia Agricultural Marketing Processing and Infrastructure Programme

## **EXECUTIVE SUMMARY**

1. Between 1996 and 2001, the development of the agriculture sector was coordinated through the Agricultural Sector Investment Programme (ASIP). ASIP provided a solid foundation for rapid development of the agriculture sector. However, its main weaknesses were caused by unfavorable macro-economic environment, inadequate resources, poor agriculture infrastructure and slow private sector response.
2. The government launched the planning process for a Successor Programme to ASIP and this provided an opportunity for analysis of the underlying causes of poor performance of the sector and how to overcome the emerging challenges. The planning process involved all major stakeholders, including government, private sector, farmers, NGOs and cooperating partners. On this basis, 15 themes and Working Groups were identified as a basis for formulating a new Programme. A Formulation Committee (FORCOM) and a Core Team were also established to guide and coordinate the planning process.
3. The main problem and rationale for designing a new Programme is that despite the huge potential and past interventions, the agricultural sector is not making a significant contribution to poverty reduction and overall growth of the economy. Poverty remains widespread in both urban and rural areas and in 1998, it stood at 72.9 percent of the population. In rural areas, the proportion was even higher at 83.1 percent with the proportion among medium-scale farmers worsening from 65.1 percent in 1996 to 71.9 percent in 1998.
4. In response to the above situation, the government embarked on a process to formulate a Poverty Reduction Strategy Paper (PRSP), whose overall objective is "Poverty Reduction and Economic Growth", and with the target to reduce poverty to 50 percent of the population by year 2004. Agriculture is expected to play an important role in reducing poverty.

5. The “**Agriculture Commercialization Programme (ACP)**” has been designed as the main vehicle for implementing the agriculture component of the PRSP. It will complement on-going government efforts through the efficient provision of agricultural services needed by those farmers aspiring to commercialize their farming. The ACP will facilitate sustainable and broad-based agricultural sector growth by focusing on increasing the generation of income from farming through improving access to: marketing, trade, and agro-processing opportunities; agricultural finance services for farmers, traders, and processors; improved agriculture infrastructure and serviced land in high potential areas; appropriate technology; and information on local and international markets for products with comparative advantage; and
6. The key operational principles for ACP shall include a special focus on market linkages and commercialization as well as building a culture of business entrepreneurship and ethics among players in the sector. The sector should be recapitalised, revitalized and sustained through increased profitability. The ACP will therefore strive to enhance stakeholder participation in the provision of demand-driven services. This will be achieved by facilitating strategic partnerships between agribusiness enterprises such as out-grower schemes, commercial farmers, input suppliers, processors, traders, financial institutions and smallholder farmers. The main target group will be commercially oriented farmers, particularly small-scale farmers.
7. The vision for the agricultural sector as set out in the National Agricultural Policy (NAP) and as shared by the ACP is “**to promote development of an efficient, competitive and sustainable agricultural sector, which ensures food security and increased income**”. The ACP will also strive to contribute to the overall goal of the PRSP, which is to achieve “**poverty reduction and economic growth**”.
8. Since the focus of ACP is on promoting the development of small and large-scale commercial agriculture, the derived overall goal of ACP is to achieve “**sustainable and broad-based agricultural growth**” as a basis for poverty reduction. Based on this goal, the broad objectives of the ACP are:

**9. To promote development of a competitive private sector driven agricultural marketing system, by:**

- i. Improving the environment for private sector investment.
- ii. Empowering farmers to participate in a liberalized market.
- iii. Facilitating sustainable increase in agricultural production (crops, livestock and fish) to offset the increase in domestic demand.
- iv. Facilitating sustainable increase in production of high value products as a way of increasing agricultural exports.
- v. Facilitating sustainable increase in processing of agricultural products.
- vi. Promoting quality control of agricultural products through increased use of appropriate grades and standards.
- vii. Maintaining a strategic food reserve.

**10. To facilitate the establishment of an effective, efficient, and sustainable private sector driven agriculture finance system, by:**

- i. Improving the environment for the establishment of viable agricultural finance and investment.
- ii. Mobilizing increased volume of credit.
- iii. Facilitating increased access to agriculture credit and savings, and insurance services.

**11. To facilitate the development, rehabilitation and maintenance of agricultural infrastructure and promote land development and settlement in potentially productive areas, by:**

- i. Empowering people in high potential areas to demand for improved infrastructure.
- ii. Supporting demand-driven infrastructure development in high potential areas.
- iii. Improving the agriculture land delivery system.
- iv. Promoting the use of labor-based techniques in infrastructure development.

**12. To promote demand-driven technology development and dissemination, by:**

- i. Supporting the generation and adaptation of demand-driven technologies for products with comparative advantage.
- ii. Improving technology and market information dissemination for products with comparative advantage.
- iii. Supporting interventions to reduce outbreaks of major diseases and pests.

**13. To facilitate efficient utilization of financial, human, and physical resources, by:**

- i. Strengthening capacity for policy review and programme monitoring and evaluation.
- ii. Strengthening capacity for stakeholder consultation and co-ordination.
- iii. Strengthening capacity for efficient financial management.
- iv. Strengthening capacity for procurement of goods and services.
- v. Strengthening capacity for human resource training and development for the sector.
- vi. Strengthening capacity to address gender, environment, and HIV/AIDS issues with respect to the agricultural sector.

**14. In order to achieve the above objectives, five priority components in order of importance were consolidated as the basis for the ACP:**

- i. Marketing, Trade and Agri-business Promotion;
- ii. Agricultural Finance and Investment;
- iii. Agricultural Infrastructure and Land Development;
- iv. Technology Development and Dissemination;
- v. Agricultural Sector Management and Coordination.

**15. These components provide a coherent planning framework for the agriculture sector activities and general development during the period 2002 to 2005; and will form the basis on which operational plans will be developed. Given the commercialization thrust of the ACP, Marketing, Trade, and Agribusiness Promotion and Agricultural Finance and Investment components will be the core components of ACP.**

16. The coordination and implementation arrangements for the ACP will be in line with the long-term goal of government, which is to reduce the involvement of the public sector in direct provision of services. The ACP will therefore build capacity for contracting of agricultural services to non-governmental institutions. All stakeholders will be involved in coordination through an **Agricultural Commercialisation Programme Committee** (ACPC) that will guide the programme policy direction. A full-time **Focal Point** office will be established within the Planning and Cooperatives Department (PCD) of MAFF to coordinate the programme to be the Secretariat to the ACPC.
17. The Programme will be implemented through existing MAFF structures in collaboration with private sector and NGO partners based on an identified set of core functions and partnerships among the key players. The Programme will run from 2002 to 2005
18. The estimated budget for four years is US\$280 million. The ACP funding will be closely linked to the PRSP that has recommended that the agriculture sector gets US\$200 million in the first three years or US \$66.7 million per year, excluding personal emoluments for MAFF staff. The ACP assumes that an additional US\$80 million would be made available to undertake the planned activities in the fourth year, since PRSP funding will cease after 3 years. The ACP reflects its priorities in budget allocations to components with Marketing, Trade, and Agribusiness Promotion getting 20 percent; Agriculture Finance and Investment (35%); Technology Development and Dissemination (20%); Agriculture Infrastructure and Land Development (15%); and Sector Management and Coordination (10%).

## **1.0 INTRODUCTION**

19. Zambia has huge potential for increased agriculture production. Between 1996 and 2001, the development of the agriculture sector was coordinated through the Agricultural Sector Investment Programme (ASIP). The overall objective of ASIP was to provide improved and sustainable agriculture services through promotion of free market development, reduction of government role in commercial activity, and enhancing efficient delivery of public services. ASIP recorded both some successes and failures. The main factors blamed for the failure to realize the objectives of ASIP include unfavorable macro-economic environment, inadequate resources, poor agriculture infrastructure and slow private sector response. Nevertheless, ASIP provided a solid foundation for rapid development of the agriculture sector.

20. Since ASIP is scheduled to close in December 2001, the government, through the Ministry of Agriculture, Food and Fisheries, launched the planning process for a Successor Programme. The planning process has provided an opportunity for careful analysis of the underlying causes of poor sector performance and to refocus the Successor Programme in line with the emerging challenges and opportunities. The Terms of Reference for the planning process were :

- i. to clarify/refine the objectives of the sector development programme;
- ii. to assess the strengths and weaknesses of the strategies under implementation;
- iii. to identify information gaps;
- iv. to revise the strategies and policies;
- v. to prepare specific activities to meet the development objectives.

The detailed Terms of Reference are provided in Annex 1.

21. The challenges facing the agriculture sector necessitate that the programme be relevant to the needs of all stakeholders. Therefore, the planning process for the ACP involved all major stakeholders (government, private sector, farmers, NGOs and cooperating partners) in identifying and prioritizing key constraints in the agriculture sector.
22. On this basis, fifteen themes and fifteen Working Groups,<sup>1</sup> were identified as the basis for formulating the programme. The Formulation Committee (FORCOM) and a Core Team were also established to guide and coordinate the planning process, respectively. The Working Group reports (**Annex II**) formed the basis for the consolidation of the Agriculture Commercialization Programme (ACP).
23. This report is structured as follows: A full account of the environment in which the agriculture sector has been operating and an analysis of the trends and issues that had a major influence on the performance of ASIP are presented in Chapter 2. This provides the context within which the **Agriculture Commercialization Programme (ACP)** has been formulated as a Successor Programme to ASIP.
24. Chapter 3 presents the proposed principles and interventions of the ACP as a tool for reducing the high levels of poverty within the framework of the Poverty Reduction Strategy Programme (PRSP). Chapter 4 presents the implementation arrangements for the ACP, recognizing the increasing role of NGOs and the private sector in delivering agricultural services. Chapter 5 presents the monitoring and evaluation arrangements for the ACP. Chapter 6 presents the risks and assumptions associated with the ACP. The costs and financing arrangements are presented in Chapter 7.

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<sup>1</sup> The Working Group themes were: Marketing and Agri-business, Food Security, Input and Product Standards, Agriculture Finance, Land Development and Settlement, Rural Investment fund, Extension, Soils and Crop Research, Livestock Production and Health, Fisheries, Conservation Farming, Seed Multiplication and Certification, Irrigation, and Cross-Cutting Issues.

## **2.0 BACKGROUND**

### **2.1 CHARACTERISTICS OF THE AGRICULTURE SECTOR**

25. Zambia has a good climate, abundant arable land, labour and good water resources. Around November to April, Zambia receives good rainfall, which ranges from 650 mm in the southern part of the country to 1800 mm in the northern part of the country per year. This rainfall pattern provides the country with three agro-ecological regions, which are suited to the production of a wide range of crops, livestock, and fish.
26. Currently, only 14 percent of the total arable land of 42 million hectares is used for agricultural production. The underground water, rivers, dambos, and lakes provide the country with significant irrigation potential of 500,000 hectares of which only 65,000 hectares (13 percent) is developed. The agricultural sector continues to rely on rain-fed activities and therefore, Zambia sometimes experiences weather-induced variations in production.
27. Zambian agriculture has three broad categories of farmers: small-scale, medium, and large-scale farmers (MAFF, 2000). Small-scale farmers are generally subsistence producers of staple foods with occasional marketable surplus. Medium scale farmers produce surplus maize and a few other cash crops for the market. On the other hand, Large-scale farmers produce various products for the local and export markets. (Table 1). Post-harvest data indicates that small and medium scale holdings were approximately 800,480 in the 1998/99 season and 896,415 in the 1999/2000 season (CSO, 2001a, 2001b).

**Table 1: Characterisation of Zambian Agriculture**

Characteristics	Small Scale	Emergent	Medium Scale	Large Scale
Number (1999)	459,000	119,200	25,230	740
Total Ha	0.5-9.0	10-20	20-60	>60
Crops grown	Food crops	Food/Cash crops	Food/Cash crops	Cash crops
Production Focus	Subsistence	Commercial/Subsistence	Commercial/Subsistence	Commercial
Source: CSO 2001a and 2001b				

28. Zambia produces a variety of crops in addition to livestock and fish. The dominant food crop is maize. Other food crops include wheat, rice, sorghum, millet, cassava, groundnuts, soybeans, and mixed beans. Cattle are still the most important livestock in Zambia. Small ruminants, pigs and poultry are also kept. Disease occurrences continue to affect the livestock sector in most parts of the country.

29. The major concern is that the number of households in the small-scale category has been increasing while the numbers of medium and large-scale farmers have nearly remained unchanged. This indicates that past interventions have not been very effective in increasing the number of farmers in the medium and large-scale categories. The full exploitation of Zambia's underutilized resources should offer the country many alternative ways of agricultural production, thereby accelerating sector growth and contributing to poverty reduction and national economic growth.

## **2.2 AGRICULTURAL POLICY FRAMEWORK**

30. Prior to 1991, agricultural policy in Zambia was characterized by the government controls through parastatals and other government supported institutions to deliver agricultural services. In 1992, the government embarked on agricultural policy reforms which were part of the structural adjustment programme (SAP). The main thrust of the policy reforms were to liberalise the agricultural sector and to promote private sector development and participation in the delivery of

agricultural services. This would be achieved through the creation of an enabling environment for private sector participation through measures such as withdrawal of government involvement in production, marketing, and distribution of inputs; privatization of parastatals, elimination of price controls and elimination of direct subsidies.

31. The policy objectives of the agricultural sector were:

- i. To ensure national and household food security through dependable annual production of adequate supplies of basic foodstuffs at competitive costs;
- ii. To ensure that the existing agricultural resource base is maintained and improved upon.
- iii. To generate income and employment through increased agriculture production and productivity.
- iv. To contribute to sustainable industrial development by providing locally produced agro-based raw materials.
- v. To increase agricultural exports thereby enhancing the sector's contribution to the national balance of payments.

32. The strategies to attain the policy objectives emphasized the following:

- i. Strengthening and monitoring the liberalization of markets and facilitating private sector development.
- ii. Diversification of agricultural production.
- iii. Strengthening and facilitating the provision of agricultural services in order to increase productivity particularly among smallholder farmers.
- iv. Reviewing and realigning institutional and legislative arrangements.
- v. Development of infrastructure in potentially productive agricultural areas.
- vi. Development and promotion of appropriate technology.
- vii. Promotion of gender equity in resource allocation and access to agricultural services.
- viii. Promotion of sustainable and environmentally sound agricultural practices.

- ix. Prevention and control of pests, crop and livestock diseases of national importance.
- x. Strengthening emergency preparedness
- xi. Regulate the introduction and use of bio-technological products in particular, genetically modified organisms (GMOs).
- xii. Maintaining agro-biodiversity.

32. The key tool for achieving policy objectives and implementing the strategies was the Agriculture Sector Investment Programme (ASIP). This was a holistic approach to provide improved and sustainable services through efficient use of resources. Consequently, the project approach was abandoned in preference to the programme approach. Therefore, ASIP was expected to provide an integrated and coordinated framework for the development of the agricultural sector. The major underlying assumption was that the government and all donors would contribute to the “basket funding” for the various ASIP activities. The strategies to achieve the objectives of ASIP focused on activities to enhance production through free market development, reduction of government role in commercial activity, and provision of efficient public services.

33. The interventions of ASIP were organized around the following sub-programmes: Extension, Irrigation, Research, Agriculture Training, Animal Production and Health, Agriculture Finance, Marketing and trade, Seeds, New Product Development, Farm Power and mechanization, Policy and Planning, Standards, and the Rural Investment Fund. These sub-programmes set the broad outlines for MAFF activities in the last five years and are the subject of review in the various theme groups.

34. The implementation of ASIP started in January 1996 and was expected to end in December 1999. Due to teething problems such as restructuring of MAFF and delays in disbursement of funds, the implementation of ASIP started slowly and therefore, the programme was extended for two years, to the end of 2001, to

permit completion of some activities. During this period, ASIP recorded some successes and some failures, presented in the next section.

## 2.3 PERFORMANCE OF ASIP

### 2.3.1 SUCCESSES OF ASIP

35. *Increasing diversification:* In recent years, the contribution of maize to total agricultural production has decreased due to diversification into relatively more profitable crops. Maize however still remains the major staple food for most Zambians. Small and medium scale farmers still account for approximately 70% of the maize consumed in Zambia. In 1999/2000, they planted approximately 960,000 hectares of which maize accounted for 58.5%, cassava 13.6%, and millet 17.9%. Table 2 shows a general upward trend from most crops in both area cultivated and production except for maize. The reasons for this shift are higher relative profitability, droughts and floods, inadequate or late access to agricultural inputs and credit, low prices of maize, and the unstable market. This has provided a wider base for food security.

36. There has been observed increase in diversification to other non-crop enterprises such as fish farming, production and marketing of small ruminants and other livestock including other sources of livelihood.

**Table 2: Crop Production Trends**

Crop	Cultivated Area ('000 Ha)				Production ('000)			
	1996	1997	1998	1999	1996	1997	1998	1999
Maize (90 kg)	676	649	410	588	15660	10668	7217	9509
Sorghum (80 kg)	48	45	36	37	396	341	282	283
Paddy rice (80 kg)	10	12	9	16	166	156	80	184
Millet (90 kg)	77	86	90	96	610	679	692	774
Sunflower (50 kg)	48	21	16	13	524	149	114	135
Groundnuts (80 kg)	90	127	155	141	434	573	712	637
Soybeans (90 kg)	25	17	12	12	445	326	138	297
Mixed beans (90 kg)	43	42	35	39	265	155	155	183
Cotton (ton)	66	-	-	106	41		105	80
Burley Tobacco (ton)	2	-	-	6	2			6
Virginia Tobacco (tons)	2			2	19			21
Irrigated wheat	10	11	11	10	640	787	710	769

MOFED [2001]. Macroeconomic Indicators, May 2001

**37. *Increasing role of out-grower schemes:*** In the past, government controls in production and marketing discouraged the emergence of significant agribusiness activity. Under a liberalized environment, the private sector has quickly moved into enterprises with reliable market potential. The out-grower schemes are facilitating small-scale production of targeted products, such as cotton, sunflower, vegetables, tobacco, paprika, etc, through provision of agricultural services, such as extension, credit, and marketing, which were previously supplied by the government. The major focus of agribusiness activity is on high value products. The Consultative Group Report (2000) shows that 180,000 small-scale farmers are involved in production of cotton, 1,500 in paprika and 6,000 in tobacco.

**38. *Agricultural exports:*** Zambia has comparative advantage in a number of agricultural products. However, the effective demand in the local market is very small and is unlikely to absorb a significant increase in agricultural production. In order to overcome the local market constraints, the government has secured access to international markets through a number of trade agreements (EU, COMESA, SADC, etc). Additionally, the government has put in place incentives such as appropriate exchange rate regime, financing facilities, duty exemptions and lower duty rates to stimulate production for export markets. In response to the incentives, there has been a significant increase in the value (Table 3) and variety of agricultural exports (Table 4).

**Table 3: Non-Traditional Agricultural Exports 1990 - 2000 (US \$'000)**

Year	Animal Products	Flouriculture products	Horticulture products	Leather	Primary Agriculture Products	Total	Total NTEs	%
1990	2291	1050	4544	1039	14542	23466	102202	23
1991	1185	1902	5807	675	22761	32330	121322	27
1992	456	2987	2934	375	19968	26720	101970	26
1993	740	5506	2391	1259	25072	34968	124091	28
1994	355	9110	2421	1235	10008	23129	138859	17
1995	654	18000	2589	1211	24000	46454	202498	23
1996	1972	4784	3286	2131	44527	56700	240824	24

1997	3412	7385	5637	2220	90959	109613	328557	33
1998	4116	32355	19002	3134	57642	116249	301792	38
1999	4374	42607	23128	1859	61973	133941	284946	47
2000	3374	33863	27355	4331	37103	106026	256236	41
Source: MOF (May, 2001), Macro-economic Indicators								

**39.** Between 1995 and 1999, non-traditional agricultural exports increased from US\$46.5 million to US\$133.9 million, respectively. As a result, the contribution of the agricultural sector to NTEs increased from 23 percent in 1990 to 47 percent in 1999. In fact, much of the little growth recorded in the agricultural sector has come from agricultural exports. As a small producer of internationally traded commodities, Zambia should view the demand for export commodities as unlimited and increase production. The major challenge facing the country is how to expand production and maintain quality at the lowest cost.

**40. Rural infrastructure:** A well-developed and maintained rural infrastructure is necessary for agricultural growth and overall rural development. The Rural Investment Fund (RIF) was established to facilitate development and rehabilitation of community identified infrastructures to support agricultural activities. Over the last five years, RIF has provided matching grants for construction and maintenance of infrastructure, such as rural access roads, bridges, cattle dips, dams, irrigation, storage, and market facilities. Other programmes that have contributed include ZAMSIF, IFAD, EEOA, ZAMPIP. These improvements in rural infrastructure are contributing to improved rural incomes and poverty reduction.

**41. Restructuring of MAFF:** A key component of ASIP was the restructuring of the MAFF to enable efficient implementation of the programme and provision of support services to farmers and other agribusiness firms. The restructuring of MAFF was completed and an attempt has been made to fill the vacant posts with qualified personnel. However, the poor conditions of service are major constraints to the completion of the recruitment and retention of qualified staff.

**Table 4: Non-Traditional Agricultural Exports by Product (US \$ millions)**

<b>Product</b>	<b>1995</b>	<b>1997</b>	<b>1998</b>
Fresh flowers	9.50	15.20	32.90
Sugar	30.00	26.40	33.20
Cotton lint	5.20	44.40	22.50
Tobacco	5.10	15.00	17.80
Fresh vegetables	3.70	14.50	17.50
Fuzzy cotton seed	1.80	4.70	3.70
Paprika	0.20	2.40	1.50
Wheat	0.04	0.30	0.95
Coffee	3.40	8.60	8.90
Groundnuts	0.50	1.00	0.80
Soybeans	0.80	12.40	1.40
Marigold	4.00	6.00	0.60
Tea	0.09	0.40	0.60
Maize	10.70	2.70	0.70
Beans	0.80	0.03	0.20
Seed Cotton		0.01	0.04
Cowpeas		0.20	0.03
Other Seed	2.30	0.70	0.03
Rice	0.05	0.40	
Sorghum	0.07		

MAFF [2001]. Agricultural Statistics 1999/2000, p.39

42. *Consultations and partnerships:* There have been improved consultations with stakeholders through the establishment of District Agriculture Committees (DACs), the Agricultural Consultative Forum (ACF), and the contracting of the provision of some of the services to NGOs and the private sector. The public-private sector partnerships in technology generation and transfer have been enhanced through Trusts such as the Golden Valley Agricultural Trust (GART), Cotton Development Trust, In-service Training Trust, ZEGA-NRDC Training Trust and the ZNFU Agri-business project. A number of NGOs and private firms are therefore involved in delivering services to farmers, such as extension services and inputs, have emerged.

### **2.3.2 FAILURES OF ASIP**

43. While appreciating some of the achievements of ASIP, many reviews of ASIP such as Annual Reviews, ASIP Mid-term Review, Sector Performance Analysis, Aide memoirs, Post harvest surveys and donor reviews point to the following constraints.
44. ***Private sector activities limited to a few areas.*** Even though the target of ASIP interventions was the small-scale farmer throughout the country, only some small-scale farmers along the line of rail benefited through the increasing number of out-grower schemes, which provide inputs, extension services and marketing services. The dilemma that farmers operating in outlying areas faced was that they were offered low prices for their produce while inputs were sold at high prices.
45. ***Macro-economic instabilities.*** The liberalization of the economy was supposed to create the environment for increased private sector activities. This was not realized because the macro-economic environment was unfavorable in form of high interest rates, high inflation, decreasing purchasing power and volatile exchange rates, leading to limited liquidity and inadequate credit facilities in the sector. In most cases, long-term investment was abandoned in preference to short-term trading opportunities.
46. ***Unfavorable Weather Conditions:*** Frequent occurrence of drought and floods have limited the capacity of farmers to grow enough food and generate a surplus. The decline in production was further worsened by the continued low investment in irrigation facilities.
47. ***Increasing outbreaks of livestock diseases:*** Most of the farmers are involved in the production of livestock at varying levels. The major livestock product is cattle, which is dominated by the traditional sector. Between 1996 and 1997, total cattle population decreased from approximately 5.5 million to 2.7 million animals (Table 5). By 1999, the cattle population started showing signs of recovery and

increased to 2.9 million. During this period, the small-scale cattle sub-sector suffered massive losses due to frequent outbreaks of contagious diseases. In areas where cattle production is a major activity, the loss of cattle has had negative effect on cultivated area and the net worth of families. The other problem is that the prevalence of diseases has restricted access to some external lucrative markets.

**Table 5: Livestock Population Trends**

	Number ('000)			
	1996	1997	1998	1999
<b>Cattle:</b>				
Bulls	208	102	105	116
Cows and Heifers	24871	1224	1264	1062
Oxen and Tollies	1462	730	732	726
Calves	1289	644	645	668
Sheep	152	84	67	72
Goats	1613	722	891	954
Pigs	629	318	311	343

Source: MAFF [2001]. Agricultural Statistical Bulletin 1999/2000

48. ***Decline in access to agro-services*** Following the collapse of most of the institutions, which used to provide services in rural areas, some small-scale farmers with potential to produce surplus food are failing. This is due to poor roads, long distances to markets, lack of inputs, and the collapse of channels for providing credit.

49. ***Inadequate funding to ASIP.*** The four-year budget for ASIP was approximately US \$350 million. The Government, donors and beneficiaries were expected to contribute US\$110 million, US\$210 million and US\$30 million respectively. The actual total Government disbursement to ASIP was approximately US\$72 million while donor funding was approximately US\$112 million (Table 6 and Figure 1). Since 1996, GRZ annual budgetary allocations to the agricultural have averaged less than 4% of the total GRZ budget (PRSP, 2001). The impact of inadequate resources is low production and productivity, underutilization of capacity and inefficient delivery of agricultural services. Eg. extension services.

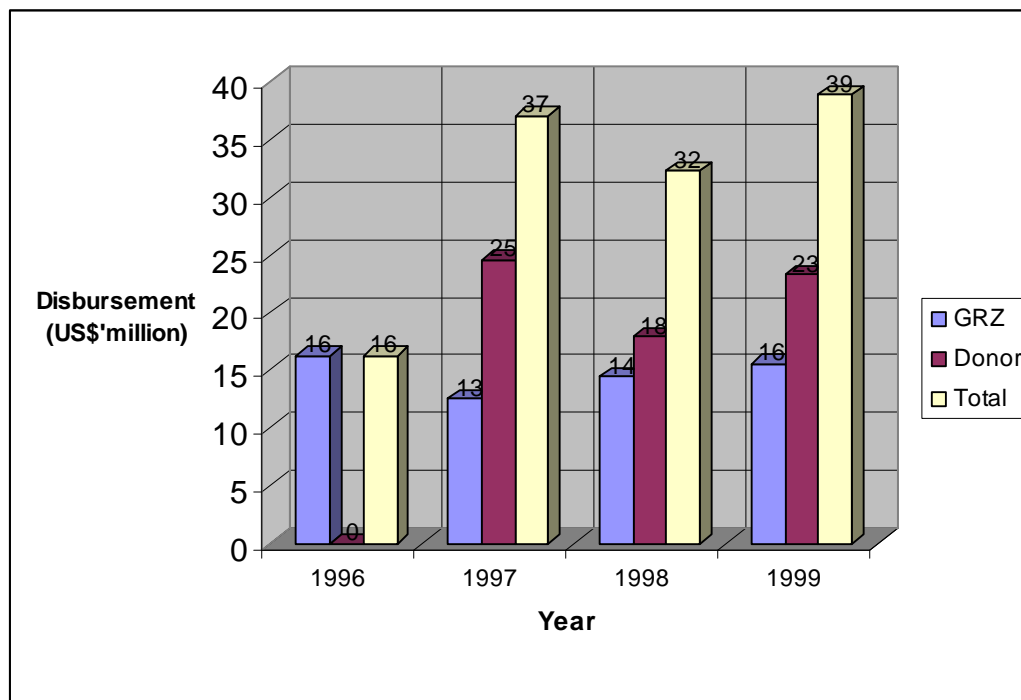
50. One of the major assumptions of ASIP was high donor support through “*Basket Funding*” to be managed by MAFF. During the implementation of ASIP, it became apparent that only a few donors strongly supported the Programme and that others were not happy with the Basket Funding approach. In addition, some donors thought that priority areas of the sector were not addressed in that there was no separation of government and private interventions, and that they could not trust the agriculture finance systems to account for their funds. Most bilateral donors tried to overcome the problem by directly or indirectly supporting on going projects or establishing new projects. Therefore, contrary to ASIP decision to abandon the project approach, there has been a proliferation of projects.

**Table 6: Funds Flow to ASIP (US \$ millions)**

Source of Funds	1996	1997	1998	1999	Total
<b>GRZ:</b>					
MAFF-Central	15.5	9.8	10.4	9.0	44.7
MAFF-Field Services	0.8	2.7	4.0	6.6	14.1
Subtotal	16.3	12.5	14.4	15.6	58.8
<b>Donors:</b>					
MAFF-Central		1.0	0.7	3.3	5.0
MAFF-Field Services		23.6	17.2	20.0	60.8
Subtotal		24.6	17.9	23.3	65.8
Grand Total	16.3	37.1	32.3	38.9	124.6

Source: Adapted from GTZ Zambia [2000].

**Figure 1. Trends in Funds Disbursement to ASIP**



Source: Derived from Table 6

51. ***Inconsistent policy pronouncements and implementation.*** Even though the focus of SAP has been to encourage private sector activities, the government argues that the private sector has failed to fill some of the vacuum created by the withdrawal of government services and the collapse of government-supported institutions (credit and marketing institutions). As a result, the government intervenes by providing some of the services, notably supplying fertilizer and maize marketing. This reduces private sector confidence in providing commercial services in those areas.
52. ***Poor Infrastructure.*** Despite the interventions in infrastructure development programmes, poor infrastructure such as roads, bridges and transport continue to constrain agricultural service delivery especially in rural areas. The poor rural infrastructure in many parts of the country constrain the effectiveness of liberalization policies because it increases operational costs and cuts-off certain areas from many agricultural services, especially those provided by the private sector.
53. ***Unfair trade practices.*** The liberalization policies and the various trade agreements the country has entered into have exposed local producers to tough competition from imports. Some stakeholders feel that Zambia's trading partners have not liberalized their economies and many of them are still subsidizing production and exports. Under these conditions, trade liberalization is not benefiting the agricultural sector.
54. ***Low Competitiveness.*** Zambia has comparative advantage in various enterprises. However, the country's producers are faced with a number of constraints that reduce the country's competitiveness. These constraints include high energy

costs, high tax regimes and high transport costs. The fact that Zambia is landlocked also reduces its competitiveness. The high crime rate recorded in the last five years further raise the cost of security for farmers, contributing to an increase in production costs.

55. ***Gender inequality.*** Even though 65% of the small-scale farmers are women, ASIP failed to design special interventions to address gender issues. The inequalities in access to services, training, representation, etc, for women are major areas of concern. As a result, women have failed to respond to the opportunities being created by the liberalized environment.

56. ***Prevalence of HIV/AIDS.*** During the implementation of ASIP, HIV and AIDS have emerged as serious constraints to the development of the agricultural sector. The national HIV/AIDS prevalence is estimated at approximately 20 percent. In the agricultural sector, HIV/AIDS has resulted in loss of some of the progressive farmers and staff. This has serious implications for the future productivity and general development of the agricultural sector.

## **2.5 PROBLEM DEFINATION**

57. Despite the huge potential and past interventions, the agricultural sector is not making a significant contribution to poverty reduction and overall growth of the economy. In 2000, Zambian GDP grew by 3.5 percent per year while the agriculture sector growth rate<sup>2</sup> was only 1.8%. The sources of agriculture sector growth were agriculture (0.86%), forestry (4.02%), and fishing (0.56%). Therefore, the agriculture sector growth rate is far much lower than the population growth rate of 2.9 percent per year. Between 1996 and 2000, the agricultural sector contributed an average of 18-19% to the gross domestic product (GDP).

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<sup>2</sup> MoFED [2000]. Economic Report, p.16

58. Poverty remains widespread in both urban and rural areas (Table 7). Between 1996 and 1998, poverty increased from 69.2 percent to 72.9 percent of the population, respectively. Poverty in the rural areas is higher (83.1%) than in urban areas (56%). In the rural areas, poverty level among small-scale farmers remained almost constant, i.e. from 84.4 percent in 1996 to 84 percent in 1998. Poverty levels among medium scale farmers increased from 65.1 percent in 1996 to 71.9 percent in 1998. However, poverty levels among large-scale farmers decreased from 34.9 percent in 1996 to 15.6 percent in 1998. This demonstrates the duality nature of the sector.
59. The majority of the rural people derive their livelihood from agricultural related activities. Evidence from other countries<sup>3</sup> indicates that the East Asian countries used a combination of appropriate agricultural technology, policies, and institutions to generate the economic surplus that was partly retained by farmers and partly transferred to consumers through reduced prices as a tool to reduce poverty. In India, high farm yields helped to reduce absolute poverty directly through farm incomes and reduced food prices, and indirectly through higher rural wages. In Mozambique, the use of modern inputs and irrigation resulted in increasing living standards and reduced poverty. In all these cases, the rising rural purchasing power created a market for manufactured goods and therefore strengthened the forward and backward linkages.
60. In view of the high levels of poverty, the government has identified “**Poverty Reduction and Economic Growth**” as the overall objective of the economy. This means that all sectors of the economy are expected to design and implement programmes, which will make a significant contribution to poverty reduction and economic growth. The goal of the government is to reduce poverty to 50 percent of the population<sup>4</sup> by year 2004.

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<sup>3</sup> CTA [1999]

<sup>4</sup> CSO [1999]. Living Conditions in Zambia (1998), preliminary Report, p.6

61. In October 2000, the government, through the Ministry of Finance and Economic Development, initiated the formulation of the **Poverty Reduction Strategy Paper (PRSP)** to contain and reverse the rising levels of poverty in Zambia. The overall goal of the PRSP is “**Poverty Reduction and Economic Growth**”. The PRSP will provide the national framework for poverty reduction and economic growth.

**Table 7: Incidence of Poverty by Rural/Urban and Stratum, Zambia, 1998**

Stratum/ Province	Poverty Status (%)				Total %	Total Population
	Total Poor	Extremely Poor	Moderately Poor	Above Poverty Line		
All Zambia	73	58	15	27	100	10,168,000
Rural/Urban:						
Rural	83	71	12	17	100	6,344,000
Urban	56	36	20	44	100	3,824,000
Stratum:						
Small scale	84	72	12	16	100	5,600,000
Medium scale	72	56	16	28	100	241,000
Large scale	16	14	2	84	100	9,000
Non agricultural	80	67	13	20	100	508,000
Low cost areas	61	41	20	39	100	2,785,00
Medium cost areas	50	28	22	50	100	536,000
High cost areas	33	19	14	67	100	493,000

Source: CSO [1999]. Living Conditions in Zambia (1998), p.62

Poverty lines are:

Less than K32, 861 per monthly adult equivalent expenditure = Extremely poor

Between K32, 861 and K47, 187 per monthly adult equivalent expenditure = Moderately poor

More than K47, 187 per monthly adult equivalent = Non poor

Average exchange rate (1998): K1862.15/US \$1

62. The PRSP targets and expects a minimum real GDP growth rate of 7% per year. This growth will be generated from tourism (10%), Agriculture (10%)<sup>5</sup>, Mining (6%), and Industry (6%). The PRSP recommendations are therefore supposed to be implemented through the relevant sectors. Agriculture is expected to play an important role in reducing poverty.

<sup>5</sup> After three years, the agriculture sector is expected to grow at 10% per year

63. The “Agriculture Commercialization Programme (ACP)”, defined in the next chapter, will be the vehicle for implementing the agriculture component of the PRSP recommendations.

### **3.0 THE AGRICULTURAL COMMERCIALISATION PROGRAMME**

64. In an effort to ensure national and household food security, the government has designed various development programmes to uplift the living standards of different categories of farmers and those who are unable to take advantage of the opportunities emerging from the liberalized environment. These programmes include the Food Security pack, ZAMSIF and the Southern Province Household Food Security programme (SPHFSP).
65. The Agricultural Commercialization Programme (ACP) is designed to complement these government efforts through the efficient provision of agricultural services needed by those graduating from such programmes towards commercialization.

#### **3.1 FOCUS OF THE AGRICULTURAL COMMERCIALISATION PROGRAMME (ACP)**

66. The ACP will facilitate sustainable and broad-based agricultural sector growth by focusing on increasing the generation of income from farming through improving access to:
- i. marketing, trade, and agro-processing opportunities;
  - ii. agricultural finance services for farmers, traders, and processors;
  - iii. improved agriculture infrastructure and serviced land in high potential areas;
  - iv. appropriate technology; and
  - v. information on local and international markets for products with comparative advantage.
67. The key operational principles for ACP shall therefore include:
- i. Focus on market linkages and commercialization
  - ii. Focus on entrepreneurship and business ethics
  - iii. Focus on sustainability through profitability

- iv. Focus on recapitalisation and revitalizing the viability of agriculture
- v. Focus on stakeholder participation and demand-driven services
- vi. Focus on improving management and coordination of agricultural resources.

**68.** The ACP will facilitate strategic partnerships between agribusiness enterprises such as out-grower schemes, commercial farmers, input suppliers, processors, traders, financial institutions and smallholder farmers. The Programme will focus on farmers, particularly commercially oriented small-scale farmers as primary beneficiaries.

### **3.2. VISION, GOAL AND OBJECTIVES OF THE ACP**

69. The vision for the agricultural sector as set out in the National Agricultural Policy (NAP) and as shared by the ACP is *“to promote development of an efficient, competitive and sustainable agricultural sector, which ensures food security and increased income”*.

70. The ACP will also strive to contribute to the overall goal of the Poverty Reduction Strategy programme, which is to achieve *“poverty reduction and economic growth”*.

71. Since the focus of ACP is on promoting the development of small and large-scale commercial agriculture, the derived overall goal of ACP is to achieve *“sustainable and broad-based agricultural growth”* as a basis for poverty reduction. Based on this goal, the broad objectives of the ACP are:

- 1. To promote development of a competitive private sector driven agricultural marketing system, by:**
  - a) Improving the environment for private sector investment.
  - b) Empowering farmers to participate in a liberalized market.
  - c) Facilitating sustainable increase in agricultural production (crops, livestock and fish) to offset the increase in domestic demand.

- d) Facilitating sustainable increase in production of high value products as a way of enhancing rural incomes and increasing agricultural exports.
- e) Facilitating sustainable increase in processing of agricultural products.
- f) Promoting quality control of agricultural products through increased use of appropriate grades and standards.
- g) Maintaining a strategic food reserve.

**2. To facilitate the establishment of an effective, efficient, and sustainable private sector driven agriculture finance system, by:**

- a) Improving the environment for the establishment of viable agricultural finance and investment.
- b) Mobilizing increased volume of credit.
- c) Facilitating increased access to agriculture credit and savings, and insurance services.

**3. To facilitate the development, rehabilitation and maintenance of agricultural infrastructure and promote land development and settlement in potentially productive areas, by:**

- a) Empowering people in high potential areas to demand for improved infrastructure.
- b) Supporting demand-driven infrastructure development in high potential areas.
- c) Improving the agriculture land delivery system.
- d) Promoting the use of labor-based techniques in infrastructure development.

**4. To promote demand-driven technology development and dissemination, by:**

- a) Supporting the generation and adaptation of demand-driven technologies for products with comparative advantage.
- b) Improving technology and market information dissemination for products with comparative advantage.
- c) Supporting interventions to reduce outbreaks of major diseases and pests.

**5. To facilitate efficient utilization of financial, human, and physical resources, by:**

- a) Strengthening capacity for policy review and programme monitoring and evaluation.
- b) Strengthening capacity for stakeholder consultation and co-ordination.
- c) Strengthening capacity for efficient financial management.
- d) Strengthening capacity for procurement of goods and services.
- e) Strengthening capacity for human resource training and development for the sector.
- f) Strengthening capacity to address gender, environment, and HIV/AIDS issues with respect to the agricultural sector.

### **3.3. ACP COMPONENTS**

72. In order to achieve the above objectives, five priority components in order of importance were consolidated as the basis for the ACP:

- i. Marketing, Trade and Agri-business Promotion;
- ii. Agricultural Finance and Investment;
- iii. Agricultural Infrastructure and Land Development;
- iv. Technology Development and Dissemination;
- v. Agricultural Sector Management and Coordination.

73. These components provide a coherent planning framework for the agriculture sector activities and general development during the period 2002 to 2005; and will form the basis on which operational plans will be developed. Table 8 summarizes the working group themes, which constituted the five ACP components and also provides the guidelines to the implementing units on the range of and nature of their activity during the planning period. Given the commercialization thrust of the ACP, Marketing, Trade, and Agribusiness Promotion and Agricultural Finance and Investment components are the core components of ACP. The others

are supporting components of ACP and set out the institutional strategies for supporting the core components.

**Table 8: Relationship of ACP Components to Thematic Areas**

ACP COMPONENTS <sup>1</sup>	ACP THEMES	PRIORITY AREAS		% BUDGET
		FOOD SECURITY	INCOME GENERATION	
1. Marketing, Trade & Agribusiness Promotion	<ul style="list-style-type: none"> <li>❖ Marketing and Agri-business Development</li> <li>❖ Food Security</li> <li>❖ Input and Product Standards</li> </ul>	<ul style="list-style-type: none"> <li>❖ Out-grower schemes</li> <li>❖ Agro-processing &amp; storage</li> <li>❖ Value adding</li> <li>❖ Strategic reserves</li> <li>❖ Certification and quality control</li> <li>❖ Packaging</li> <li>❖ Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>❖ Market identification</li> <li>❖ Fertilizer blending</li> <li>❖ Outgrower schemes</li> <li>❖ Private sector linkages</li> <li>❖ Tax incentives</li> <li>❖ Export zones</li> <li>❖ Export financing</li> <li>❖ Value adding</li> </ul>	20%
2. Agriculture Finance & Investment	<ul style="list-style-type: none"> <li>❖ Agriculture Development Finance</li> </ul>	<ul style="list-style-type: none"> <li>❖ Social programmes</li> </ul>	<ul style="list-style-type: none"> <li>❖ Investment &amp; savings mobilization</li> <li>❖ Set up revolving fund to finance viable projects</li> <li>❖ Establish medium and long-term fund</li> <li>❖ Promote outgrower schemes</li> <li>❖ Incentives for investors in rural finance</li> <li>❖ Support rural insurance services</li> </ul>	35%
3. Agriculture Infrastructure & Land Development & Settlement	<ul style="list-style-type: none"> <li>❖ Rural Investment Fund (RIF)</li> <li>❖ Land Development &amp; Settlement</li> </ul>	<ul style="list-style-type: none"> <li>❖ Target infrastructure development in productive and high potential areas.</li> <li>❖ Work closely with outgrower schemes and the private sector</li> </ul>	<ul style="list-style-type: none"> <li>❖ Target infrastructure development in productive and high potential areas.</li> <li>❖ Work closely with outgrower schemes and the private sector</li> <li>❖ Work closely with ZAMSIF and ROADSIP</li> <li>❖ Employ labor-based methods in infrastructure development</li> <li>❖ Extend support to rural electrification.</li> </ul>	15%
4. Sector Management and Coordination	<ul style="list-style-type: none"> <li>❖ Cross-Cutting Issues (Policy Analysis, M &amp; E, Gender, Environment, HIV/AIDS, Procurement, &amp; Financial management)</li> <li>❖ Agriculture Training</li> </ul>	<ul style="list-style-type: none"> <li>❖ Policy review</li> <li>❖ Monitoring and evaluation</li> <li>❖ HIV/AIDS</li> <li>❖ Review FMU &amp; PSU</li> <li>❖ Review Agriculture staff training and development</li> </ul>	<ul style="list-style-type: none"> <li>❖ Policy review</li> <li>❖ Monitoring and evaluation</li> <li>❖ HIV/AIDS</li> <li>❖ Review FMU &amp; PSU</li> <li>❖ Review Agriculture staff training and development</li> </ul>	10%
5. Technology Development & Dissemination	<ul style="list-style-type: none"> <li>❖ Extension (crops)</li> <li>❖ Livestock Production and Health</li> <li>❖ Soils &amp; Crop Research</li> <li>❖ Fisheries</li> <li>❖ Conservation Farming</li> <li>❖ Seed Multiplication and Certification</li> <li>❖ Irrigation</li> </ul>	<ul style="list-style-type: none"> <li>❖ Conservation farming</li> <li>❖ Partnerships with NGOs and private sector</li> <li>❖ Extension staff attachments</li> <li>❖ Mobilization of stakeholders</li> <li>❖ Strengthen and enforce legislation to control livestock diseases</li> <li>❖ Community-based livestock management</li> <li>❖ Reduction of the cost of stock-feeds</li> <li>❖ Pasture improvement</li> <li>❖ Expansion of aqua-culture production</li> <li>❖ Strict enforcement of fishing regulations</li> <li>❖ Improved storage</li> <li>❖ Support small-scale irrigation</li> </ul>	<ul style="list-style-type: none"> <li>❖ Conservation farming</li> <li>❖ Partnerships with NGOs and private sector</li> <li>❖ Extension staff attachments</li> <li>❖ Mobilization of stakeholders</li> <li>❖ Strengthen and enforce legislation to control livestock diseases</li> <li>❖ Community-based livestock management</li> <li>❖ Reduction of the cost of stock-feeds</li> <li>❖ Pasture improvement</li> <li>❖ Expansion of aqua-culture production</li> <li>❖ Strict enforcement of fishing regulations</li> <li>❖ Improved storage</li> <li>❖ Support small-scale irrigation</li> </ul>	20%

1. Even though Marketing component is ranked 1, it requires relatively less finances to implement than Agricultural Finance.

### 3.3.1 MARKETING, TRADE AND AGRI-BUSINESS PROMOTION

74. The inefficient marketing of products and inputs is often cited as evidence of some of ASIP failures. Most small-scale farmers have difficulty obtaining inputs on time and selling the little surplus they occasionally produce. The result is that many farmers are denied a chance to produce adequate food and earn some income and therefore, they cannot afford the basics of life. In addition, the absence of market information prevents farmers from taking advantage of emerging market opportunities, such as production of high value products and processing. Therefore, there is need to improve the functioning of the market to enable farmers market the surplus.
75. Due to policy inconsistencies and variable weather conditions, maize production varies from year to year. For example, in the 1998/99 season, maize supply decreased to only 0.72 million tones. This leads to concerns for food security and very often, there are calls for increased production of food to offset the rising demand, associated with high population growth rate (2.9%/year), food deficits in neighboring countries, and increasing industrial uses. The key issues and constraints of marketing, trade, and agribusiness promotion include:
76. *Marketing, trade, and agribusiness activities* in Zambia are constrained by: poor infrastructure (road infrastructure, electricity and transport costs); high cost of imported inputs; inadequate management and technical skills; inadequate availability of labor; predominance of bulky and low value products among small-scale farmers, poor grades and standards of produce and inputs; inadequate competition among service providers; insufficient market information; shortage of investment and working capital; crop piracy and failure to repay loans; inappropriate legal and regulatory framework; and unstable macroeconomic environment.

77. ***Food insecurity*** in Zambia is attributed to low productivity, a deficient post-harvest system, and low incomes. The major problems of the post-harvest system are: inadequate and inappropriate storage facilities, inadequate extension services in post-harvest systems, inappropriate post-harvest technology, inadequate coordination of information, and inadequate qualified human resources.

78. ***Grades and standards*** to ensure quality control as a means to facilitate marketing and trade within and outside the country. In Zambia, the failure to enforce most of the grades and standards is attributed to: inadequate national grades and standards for most inputs and products, lack of information on grades and standards, inadequate capacity to enforce regulations, poor coordination between stakeholders, and inappropriate legal system. The other problems are un-accredited laboratories, inadequate funding, and poor staffing.

### **3.3.1.1. OBJECTIVES**

79. The overall objective of marketing, trade, and agribusiness promotion is to ***facilitate the development of a competitive, efficient, and transparent private sector driven agricultural marketing system. The purpose is to generate increased income from farming, marketing, trade, and agro processing.*** The specific objectives are:

- i. To facilitate the development of entrepreneurial skills of farmers, traders, and processors to enable them identify and utilize profitable market opportunities.
- ii. To facilitate the development of private sector driven production and marketing groups, associations, and co-operatives.
- iii. To facilitate and promote private sector investment in agricultural production, marketing and agricultural processing.
- iv. To facilitate the promotion and enforcement of agricultural standards and grades;
- v. To promote agricultural trade in products with comparative advantage.

80. Annex 3 presents the Logical Framework that detailed expected outputs and activities to be undertaken during the implementation period for the Marketing, Trade and Agri-Business component.

### **3.3.1.2 EXPECTED OUTPUTS AND GENERIC ACTIVITIES**

81. The implementation of the ACP is expected to generate outputs, which will accrue to the various beneficiaries. During the next four years, the interventions under marketing, trade and agribusiness promotion are expected to produce the following outputs:

- i. increased private investment investment,
- ii. farmers empowered to participate in a liberalized market,
- iii. increased production of food products (crops, livestock & fish),
- iv. increased production of high value products,
- v. increased processing of surplus products,
- vi. increased quality control.
- vii. strategic food reserve maintained

#### ***Output 1: Increased Private Investment Investment***

82. One of the major complaints of investors is that the environment is not conducive for private sector development. The ACP will create the enabling environment for the private sector through minimizing policy inconsistencies, putting in place the appropriate legal and regulatory framework, developing and maintaining infrastructure in high potential areas, and offering generous incentives to investors in rural areas.

#### ***Output 2: Farmers Empowered to Participate in a Liberalized Market***

83. The key marketing issues which affect small-scale farmers are: lack of reliable markets due to the limited number of traders, the high cost of collecting small quantities from farmers who are widely scattered, lack of information on available products and inputs, poor storage facilities, and poor feeder roads. The other problems are the high cost of borrowing, which discourages the holding of huge

stocks for extended periods and therefore, delays the completion of marketing before the onset of rains. Marketing is also constrained by failure to grade products.

- 84.** These factors combine to reduce the net incomes of farmers and also discourage increased production. The expected output will be achieved through enhancement of entrepreneurial skills (technical and financial skills and lobbying for support services) to enable farmers to look at farming as a business and not just a way of life. In addition, there is also need to provide timely market information and to promote formation of farmer groups as a way to lower the cost of providing services to widely dispersed small-scale farmer.

***Output 3: Increased Production of Food Products (crops, livestock & fish)***

- 85.** The majority of rural households are subsistence farmers with occasional surplus products. In most years, Zambia produces adequate quantities of the major staple foods
- 86.** The goal is for the food sub-sector to grow at more than twice (7%) the growth rate of the population (2.9%). The attainment of high growth rates is constrained by unsustainable production practices, lack of purchased inputs, poor marketing services, high cost of purchased inputs, inadequate access to credit facilities, and low prices of food products. In the livestock sub-sector, low productivity and high incidences of livestock diseases are major concerns. In the fisheries sub-sector, unsustainable fishing practices and the failure to utilize the potential for increased fish farming (aquaculture). Appropriate technologies, with potential to double food production, are available but not accessible to most farmers. Significant increases in food production could be achieved through sustainable production techniques, such as conservation farming, improved livestock husbandry, and efficient marketing of products.

87. In the case of maize production, the non-availability of fertilizer and seed is a perennial problem. Evidence from the field indicates that most farmers are subsistence producers of maize. The use of credit to acquire inputs for subsistence production of maize is largely unprofitable and therefore, farmers cannot payback the loans. Therefore, all loans for subsistence production should not be encouraged. Instead, farmers should either purchase inputs or obtain inputs through inputs for work on rural roads. This would eliminate the need for repayment and totally do away with expensive private firms usually hired to chase small amounts of money. Since all major feeder roads need to be repaired every year, inputs for work is a reliable source of inputs.

***Output 4: Increased Production of High Value Products***

88. The Zambian agriculture sector is dominated by bulky and low value staple foods.

The problem is that the local market is too small and has low purchasing power and therefore, only modest increases in production could be absorbed. Neighboring countries are also involved in production of similar staple foods and only import when they have deficits. In fact, long distances to major domestic and international markets limit the potential for large expansion of staple food production in most parts of the country.

89. Widespread adoption of sustainable production practices has potential to double the yields and thereby reduce to approximately 50 percent of the current cultivated area (approximately one million hectares) needed to provide for staple food needs of the country. This will provide opportunities for introduction of high value products (non-traditional exports) based on the comparative advantage of each area. Between 1995 and 1999, non-traditional exports grew at more than 20 percent per annum, thus indicating that it is a strong source of sector growth.

90. The increase in production of high value products will increase demand for labor, credit facilities, and efficient marketing of products and supply of inputs. Over the past five years, out-grower schemes have demonstrated that they can provide

efficient services. However, high value products are relatively new and therefore, there is need for on-farm adaptive research. Farmers involved in out-grower schemes also complain about the lack of rules to guide out-grower schemes, the lack of objectivity in grading products, and the unfair pricing for products.

91. The ACP will attain this output through identification of products with comparative advantage and building capacity to produce them. In order to reduce the cost of providing agricultural services, the ACP will encourage small-scale farmers to organize themselves into business groups to produce high value products through outgrower schemes. This would also enable them to negotiate for better prices.

***Output 5: Increased processing of surplus products***

92. Most of the current agricultural products are bulky and of low value. Therefore, it is not economic to transport them over long distances. As a result, many surplus products go to waste. Agricultural processing adds value to products and enables them to gain access to distant markets and increased incomes. Some of the processing options include stock-feed and fish feed production, oil extraction, canning, etc. The ACP will encourage processing of agricultural products through facilitating access to adequate capital for processing, capacity building, and enforcement of standards and quality control.

***Output 6: Increased quality control***

93. Grades and standards facilitate marketing of products. The failure to enforce objective grades and standards reduces market efficiency and results in distortion of the values of products and reduction of potential incomes. ACP will facilitate widespread adoption and use of appropriate grades and standards through review of the relevant legal framework, and enhance promotion of the use of grades and standards.

***Output 7: Strategic food reserve maintained***

94. Maintenance of strategic food reserves is an important undertaking. The Food Reserve Agency was mandated to manage the food reserves through the Food

Reserve Act 1996. FRA later diversified into non-core activities such as provision of agriculture inputs and credit. The ACP will reorient the operations of FRA so that it reverts back to its original mandate of maintaining strategic food reserves. It will maintain at least 3 months reserves at any time to stabilize food stocks and prices.

### **3.3.2. AGRICULTURAL FINANCE AND INVESTMENT**

95. Small-scale farmers, most of whom produce food for subsistence, dominate Zambian agriculture. Subsistence farmers are the poorest segment of the rural population, characterized with food insecurity and low cash income and savings. In the past, government supported rural finance services and emphasized the provision of credit as a way to increase household productivity and income. The major weaknesses of these institutions were failure to provide savings and insurance services<sup>6</sup> and the high default rates. This has led to the collapse of many of these institutions.
96. The collapse of the government-supported rural credit system has deprived ordinary farmers of their traditional sources of formal credit. On the other hand, commercial banks and other financial institutions find it extremely expensive and risky to lend to small-scale farmers and agri-business in general.
97. The constraints to the creation of a viable agricultural finance system are: inadequate capital, high cost of credit, lack of sufficient savings mobilization, limited range of acceptable collateral, inadequate legislation, poor recoveries, high transaction costs and the inherent risk of the agricultural sector. Stakeholders are aware that without capital, agriculture cannot grow at a desirable rate.
98. Over the years, micro-finance has provided various models for delivering financial services, such as solidarity credit groups, village banks, and member-

managed savings and credit cooperatives. The common denominator of these models is that they are built on locally available information and utilize the cost advantage of informal monitoring and enforcement systems, such as joint liability.

99. Despite many attempts (public, private, Donor, and NGOs) to facilitate the establishment of viable agricultural finance services, no successful model has yet emerged to serve small-scale farmers and overcome the historical problems. One of the lessons that emerged is that delivery of financial services should not be mixed with non-business services, such as capacity building, advisory services, and infrastructure development.

100. So far, the most promising way of providing financial services to small-scale farmers appears to be through out-grower schemes.<sup>7</sup> In the areas where out-grower schemes operate, they provide a full package of services (input supply, extension services, and market for product(s) of interest). The problem of out-grower schemes is that their coverage is constrained by inadequate funds, high cost of credit, unfavorable investment conditions, and absence of attractive incentives for operating in outlying areas.

101. Many out-grower schemes would like to see a close working relationship with capacity building and advisory services. This would reduce the operational costs of out-grower schemes and enable them to pay higher net prices to farmers. As a quick way of further commercializing small-scale agriculture, ACP will facilitate access to additional funding to enable expansion of viable out-grower scheme activities based on the comparative advantage of each area.

### **3.3.2.1 OBJECTIVES**

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<sup>6</sup> CTA [1999]. Agriculture and Rural Development, p.28-29

<sup>7</sup> The largest out-grower scheme operating in Zambia is Dunavant Zambia Cotton with approximately US\$2 million worth of inputs distributed per annum.

102. The overall objective of the component is *to facilitate the establishment of effective, efficient, and demand-driven agricultural development finance systems*. The purpose is to *increase access to Agricultural Finance Services (credit, savings, and insurance) for farmers, traders, and processors*. The specific objectives are:

- i. To strengthen the Legislation and Regulatory Framework for agricultural finance.
- ii. To facilitate development of sustainable rural finance systems to provide short, medium, and long-term loans to all categories of farmers.
- iii. To facilitate the availability and accessibility to sustainable financial services for farmers and other rural households.
- iv. To support and enhance access to credit for women and the youth
- v. To strengthen capacity of the Ministry of Lands (MOL) in the delivery of agriculture land.
- vi. To mobilize and strengthen Farmer Groups as the basis for reducing transaction costs and provision of agricultural finance services.

### **3.3.2.2 EXPECTED OUTPUTS AND GENERIC ACTIVITIES**

103. Financial services are needed to meet the changing technical and economic conditions so as to establish viable economic activities. In most cases, ability to secure financial services determines the activities to be pursued and the size of those activities. Therefore, efficient financial institutions are needed to provide a stable and dependable source of loans for people with legitimate business needs at terms consistent with risks involved, associated cost of administration, and alternative returns on capital. Annex 3.2 presents the Agriculture Finance log-frame and is the basis of the summary presented in this section. During the Programme period, the ACP expects to generate the following results:

#### ***Output 1: Improved Environment for Viable Agricultural Finance and Investment***

104. The absence of an enabling environment for private agricultural finance services is a major constraint to the expansion of production. ACP will facilitate and

promote activities to expand agricultural finance services through reviewing the legislation, establishment of small claims court, establishment of agriculture credit registers, and improving the incentives for financial intermediaries.

***Output 2: Increased Volume of Credit***

105. Achieving the proposed increases in production requires a lot of capital to finance short, medium, and long-term needs. There are no financial institutions with capacity to provide the necessary capital for small-scale farmers. Even for credit-worthy farmers, the high interest rate is a major constraint. ACP will facilitate mobilization of sufficient loan funds through savings mobilization and acquisition of external funds.

***Output 3: Increased Access to Credit and Insurance Services***

106. Many farmers, especially women and the youth, have no access to credit because they lack the credit rating demanded by financial institutions. ACP will support activities to increase access and to expand the range of agriculture finance services.

***Output 4: Agricultural Development Fund established***

107. The past experience has shown that single channel financial services have been problematic and ineffective in serving rural communities. The ACP will support the establishment of the Agriculture Development Fund (ADF). The ADF will provide investment funds (short, medium, and long-term capital) to viable groups based on the comparative advantage of each area. The services provided by the ADF will be demand-driven and the operating procedures will be similar to the Rural Investment Fund.

**3.3.3. AGRICULTURAL INFRASTRUCTURE AND LAND DEVELOPMENT**

108. In Zambia, rural infrastructure is poor and its coverage is generally limited. Poor rural roads limit access to markets for inputs and produce through increasing the cost of transport. Investments in rural roads, water supply, transportation,

storage, communications, electrification and irrigation schemes are critical to stimulating increased agricultural production. In addition, improvement of rural infrastructure through labor-based methods creates off-season rural employment and therefore, contributes to rural incomes and poverty reduction.

109. One way to expand production is to encourage investors to settle in targeted high potential areas. This approach was employed in the development of some of the most productive areas in Zambia, such as the Mkushi Farm Block. However, recent attempts at land development and settlement have not been very successful due to: inadequate support services, lack of basic rural infrastructure, lack of title to land, lack of funding for agricultural land development, inadequate legislation, and poor marketing services.

110. At small-scale farmer level, the least cost and sustainable way of gaining access to rural infrastructure is through community-initiated activities. Since 1996, the Rural Investment Fund has facilitated community development of infrastructure through matching grants.

### **3.3.3.1 OBJECTIVES**

111. The overall objective is to *facilitate the development, rehabilitation, maintenance of agricultural infrastructure, and also encourage development of land in potentially productive areas*. The purpose is *to increase access to improved agriculture infrastructure and serviced land in high potential areas*.

112. As infrastructure is developed, commercialization of the agriculture sector is expected to increase. This would in turn lead to increased production and high incomes. Incomes would also be enhanced through the use of labor-based techniques to develop, rehabilitate, and maintain infrastructure. In addition, the availability of serviced land would provide the incentives for accelerated

development of land and settlement in high potential areas. The specific objectives are to facilitate:

- i. the development, rehabilitation, and maintenance of feeder roads in high potential areas.
- ii. access to electricity for irrigation and agricultural processing in high potential areas.
- iii. the development of irrigation infrastructure in high potential areas.
- iv. the development of marketing infrastructure in high potential areas.
- v. the development of livestock infrastructure to control diseases.
- vi. enhanced capacity for the delivery of agricultural land.
- vii. community involvement in the development and maintenance of infrastructure

### **3.3.3.2 EXPECTED OUTPUTS AND GENERIC ACTIVITIES**

***Output 1: Community's capacity enhanced in infrastructure project identification.***

113. The provision of infrastructure will be demand-driven. In areas where there is no capacity to initiate demand-driven requests, it will be important to assist the community to develop the necessary capacity.

***Output 2: Improved Infrastructure in High Potential Areas***

114. The ACP will support the development and maintenance of infrastructure in high potential areas to facilitate commercialisation.

***Output 3. Increased use of labor-based techniques in infrastructure development***

115. Most of the rural labor is only employed during the rain season. This limits the ability to earn reasonable incomes. The ACP will provide opportunities for rural-people to earn additional income through employing labor-based techniques to develop infrastructure.

#### ***Output 4: Improved Agriculture Land Delivery System***

116. Even though Zambia has abundant land, it is difficult to obtain information on the availability of suitable land. The ACP will facilitate the establishment of the Land Information Center. The ACP will further facilitate and build capacity for the identification of land with high potential for development. The ACP will also establish a system to ease access to land with title deeds for women and youth involved in agricultural production. MAFF will closely collaborate with the Ministry of Lands to realise this output.

#### **3.3.4 TECHNOLOGY DEVELOPMENT AND DISSEMINATION**

117. The productivity of most small-scale farmers is well below the potential yields. This is attributed to lack of appropriate technologies on some products with comparative advantage, lack of priorities and under utilization of research facilities and extension services, and the high cost of providing privately sponsored extension services. As a result, available and potential technologies to increase production and processing are not reaching farmers.
118. The role of agricultural research is to create and adapt new products and techniques to increase the productivity of conventional inputs (land, labor, and capital). In a liberalized economy, market signals and the problems emerging from farmers should drive the research agenda. On the other hand, extension services provide a two-way channel between researchers and farmers for identification of emerging research problems and transfer of technological advances to farmers. In addition, extension services provide a good link between the farmer and the market.
119. Therefore, technology development and dissemination are vital because they enable adoption of improved techniques to enhance productivity. The main constraints affecting technology development and dissemination services include;

120. ***Extension Services:*** MAFF extension workers operate through a network of 1,600 agricultural camps throughout the country. In addition, the NGOs and the private sector compliment the extension services provided by the public sector. The extension delivery system has not been successful in assisting farmers to increase their productivity and profitability of the enterprises. This is attributed to: neglect of market based messages, failure to package some of the available technologies into user-friendly messages, poor farmer organization at community level, inefficient and uncoordinated use of resources, inappropriate institutional arrangements in delivering extension services, poor coordination in the delivery of extension services, poor funding for extension services, and de-motivated extension workers. The result is weak farmer-extension and research linkages.

121. ***Research (Soils, Crops and Livestock):*** The research institutions were created to assist in solving problems emerging from the agricultural sector through development of appropriate agricultural technologies for increased production. The contribution of research institutions to the growth of the agricultural sector has been constrained by the failure to address the technological problems of the emerging market opportunities, inadequate coordination of research between the various players (public and private), high staff turnover, low adoption of improved technologies among small-scale farmers, and inadequate and erratic funding.

122. ***Livestock Production and Health:*** The livestock industry is an important component of the agricultural sector. The full contribution of the livestock sub-sector is constrained by low productivity, limited technological options for smallholder farmers, underutilization of draft power, high incidence of diseases, poor extension services, poor marketing services, low effective demand, and inadequate processing facilities for both local and export markets. There are also concerns about the inadequate capacity for surveillance and control of major agricultural diseases and pests. Unless adequate capacity is developed, productivity gains from improved technologies could be easily lost. The other

area of concern is the failure to enforce appropriate laws and regulations for the development of the agricultural sector.

123. ***Fisheries:*** Fish products are important sources of animal protein. Even though the country has potential for aquaculture, most of the fish comes from natural water bodies. The contribution of the fisheries sub-sector is constrained by: predominance of subsistence fishing, poor fisheries infrastructure, inadequate aquaculture extension services, decreasing catch per unit, inadequate supply of fingerlings, lack of coordination in the promotion of private sector investment in aquaculture, lack of quality manufactured fish-feed, and inappropriate legal framework for the development of the fisheries sub-sector.
124. ***Conservation Farming:*** Farming practices applied by the majority of Zambian farmers are unsustainable in that they reduce the land's capacity to generate high level of production. Conservation farming (CF) provides a package of technologies to reverse and sustain soil productivity. The contribution of conservation farming is constrained by inadequate capacity to popularize the use of conservation farming, poor knowledge of conservation farming among extension staff, inadequate utilization of farmer's experience in CF extension, and poor availability of sources of information on CF.
125. ***Seed Multiplication and Certification:*** Improved seed is needed for increased productivity. However, there is limited provision of improved seed especially to small-scale farmers. The problem is that seed companies have difficulties in distributing seed to numerous farmers who are faced with poor infrastructure and have inadequate income to purchase seed. The result is widespread use of recycled seed. Therefore, interventions are needed to facilitate small-scale farmer access to seed based on the comparative advantage of each area.

126. **Irrigation:** Zambia has under-utilized its huge irrigation potential to expand crop production. This is attributed to limited funding for investment in irrigation development, limited technological options, and weak extension services.

#### **3.3.4.1 OBJECTIVES**

127. The overall objective is **to promote demand-driven technology development and dissemination**. The purpose is **to increase farmer access to appropriate technologies and market information for products with comparative advantage**. The specific objectives are:
- i. To facilitate development of demand-driven technologies for increased production of products with comparative advantage.
  - ii. To improve technology and market information dissemination for products with comparative advantage
  - iii. To facilitate increased private sector/NGO participation in on farm adaptation of technologies and provision of extension services
  - iv. To enhance capacity for surveillance and control of pests and diseases of major products.
  - v. To facilitate establishment of capacity to review and enforce appropriate laws and regulations for the sustainable development of the agriculture sector.

#### **3.3.4.2 EXPECTED OUTPUTS AND GENERIC ACTIVITIES**

##### **Output 1: Demand-driven technologies adapted for increased production of products with comparative advantage**

128. Many available technologies have not yet reached farmers. ACP will facilitate quick on-farm adaptation of technologies to increase production of products with comparative advantage. Extension will adopt participatory approaches to the dissemination of technology and will strengthen linkages with farmers, researchers and the private sector.

##### **Output 2: Improved technology and market information dissemination for products with comparative advantage**

129. Despite the existence of technologies to more than double the yields, farmers still experience low productivity. The other problem is that farmers do not have good market information to enable them make the correct investment decisions. ACP will facilitate the provision of appropriate extension messages for products with comparative advantage.

**Output 3: Reduced outbreaks of major diseases and pests**

130. Livestock diseases and pests reduce productivity and lead to loss of income. ACP will promote activities to improve management, prevent disease outbreaks and reduce disease and pests of national economic importance.

**Output 4: Improved enforcement of the laws and regulations affecting the agriculture sector.**

131. The enforcement of laws and regulations in the agriculture sector is weak. This encourages unsustainable utilization of fish resources in natural water bodies, unauthorized importation of agriculture materials and uncontrolled movement of livestock. The existing regulations and laws need to be reviewed with a view to making them much more effective.

**Output 5: Technology Development and Transfer Research Fund established**

132. In order to facilitate commercialization and competitive provision of demand driven research and extension, the Fund will facilitate technology development and transfer.

**Output 6. Messages on Improved Irrigation Technology made available**

133. In order to raise the capacity utilization of the irrigation potential and expand agricultural production, the ACP will support the dissemination of improved extension messages on low-cost and commercially oriented irrigation technology.

**3.3.5 AGRICULTURE SECTOR MANAGEMENT AND COORDINATION**

134. The resources at the disposal of the agriculture sector are limited and therefore, they must be managed efficiently and effectively used in a sustainable way. This

would build confidence among all supporters of the agriculture sector and attract additional support. In addition, it is important to develop strong links with other public institutions providing complementary services to the sector, the private sector, NGOs and Donors.

135. In order to achieve the objectives of ACP, the agriculture sector needs to have at its disposal the requisite financial, human, material, and physical resources. In the agriculture sector, the key crosscutting issues are Financial Management System, Monitoring and Evaluation System, Procurement and Supplies System, Gender, HIV/AIDS, Environment, and Agriculture Training.

136. **Gender and Youth:** Women and youth contribute most of the agricultural labor force (70%) but they have restricted access to productive assets and are marginalized in the decision-making process both at household and community levels. In addition, most rural women have inadequate skills and capacity to take advantage of economic opportunities in the agriculture sector. The other problem is that the agriculture technologies generated and recommended often increase the labor burden among women.

137. **HIV/AIDS:** Approximately 20% of the population is affected by HIV/AIDS. The high level of prevalence is due to poverty, inadequate information on transmission and prevention, and bad cultural beliefs. This has negatively affected agricultural productivity through loss of active farmers, staff, and time spent on attending to the sick.

138. **Environment:** The agriculture sector adversely affects the environment through clearing land for agriculture use, water pollution, soil degradation, air pollution, and wide life depletion.

#### **3.3.5.1 OBJECTIVES**

139. The overall objective of this component is *to strengthen management and co-ordination of agricultural sector development. The purpose is improved agriculture resource management and coordination.*

140. The specific objectives are:

- i. To provide a conducive policy environment for the accelerated growth of the sector
- ii. To enhance stakeholder participation in planning and implementation of the programme.
- iii. To reorient and strengthen the agricultural training institutions so that the programmes become relevant to the current needs of the agriculture sector.
- iv. To enhance capacity for timely procurement and supplies management.
- v. To strengthen the capacity for financial management for effective and efficient management and monitoring of diverse fund portfolio.
- vi. To strengthen monitoring and evaluation of the programme
- vii. To ensure that gender, HIV/AIDS, and environmental issues are included in all work plans and activities.

### **3.3.5.2 EXPECTED OUTPUTS AND GENERIC ACTIVITIES**

#### **Output 1: Strengthened capacity for Policy Review, Design and Programme Monitoring and Evaluation**

141. Agriculture operates in a dynamic environment and therefore, there is need for continuous review of policy and monitoring and evaluation of the plans. ACP will promote activities to enhance policy review and monitoring and evaluation.

#### **Output 2: Strengthened capacity for Stakeholder Consultation and Coordination.**

142. All stakeholders are important in the development of the agriculture sector. ACP will enhance capacity to coordinate all stakeholders so that they can effectively contribute to the development of the agriculture sector.

**Output 3: Strengthened capacity for efficient financial management**

143. Unless all funds are efficiently and properly accounted for, the sector cannot attract significant funding. ACP will enhance capacity to account for all funds.

**Output 4: Strengthened capacity for procurement of goods and services**

144. Timely procurement of goods and services for the implementation of ACP is very important. ACP will promote activities to shorten the procurement process.

**Output 5: Strengthened capacity for human resource training and development for the sector.**

145. Both the public and the private sector need skilled manpower. ACP will promote activities to provide the sector with relevant skills.

**Output 6: Strengthened capacity to address gender, environment, and HIV/AIDS issues.**

146. The ACP will use its extension network to educate MAFF staff on HIV/AIDS issues. MAFF staff will in turn deliver HIV/AIDS messages to farmers. As an operational guide, all extension messages and other ACP interventions will be required to make HIV/AIDS issues a part of extension services. In addition, ACP will review all technological options to account for the effects of HIV/AIDS and introduce appropriate and affordable labor-saving technologies.
147. At the national level, the government has a gender policy to deal with these issues, therefore, the ACP will ensure that only Gender-sensitive activities will be undertaken to achieve the expected results (outputs). In addition, ACP will ensure that work plans will be gender-sensitive and that all monitoring instruments will be reviewed to capture gender-related data and information.
148. In order to sustain the agriculture productivity, the ACP will use sustainable technologies, discourage farming along the river banks, use environment-friendly

agriculture chemicals, conduct environmental impact assessment before implementing any project, and enhance capacity of MAFF staff in environmental issues.

149. The ACP will strengthen linkages between components to ensure that these cross-cutting issues are adequately addressed.

### **3.4 EXPECTED BENEFITS OF THE ACP**

150. The poor performance of the agriculture sector is attributed to poor marketing and agribusiness services, limited capital and access to financial services, poor infrastructure and lack of serviced land for quick development and settlement, poor supporting services, low budgetary allocations to the agriculture sector, and inappropriate legal framework. These factors combine to restrict the sector growth rate and its contribution to poverty reduction.
151. The goal of the ACP is to facilitate sustainable and broad-based agriculture sector growth. This will be achieved through increased generation of income from farming, marketing, trade, and agro-processing; increased access to Agricultural Finance Services (credit, savings, and insurance) for farmers, traders, and processors; increased access to improved agriculture infrastructure and serviced land in high potential areas; increased farmer access to appropriate technologies and market information for products with comparative advantage; and improved agriculture resource management and coordination.
152. Some of the expected benefits of the ACP include:
- i. Increased food production (7% increase per year) through increased use of low cost and sustainable production technologies.
  - ii. Increased agricultural output (30% increase per year) and quality of high value products by volume and value based on the comparative advantage of each area.
  - iii. Efficient enforcement of grades and standards of products and inputs.

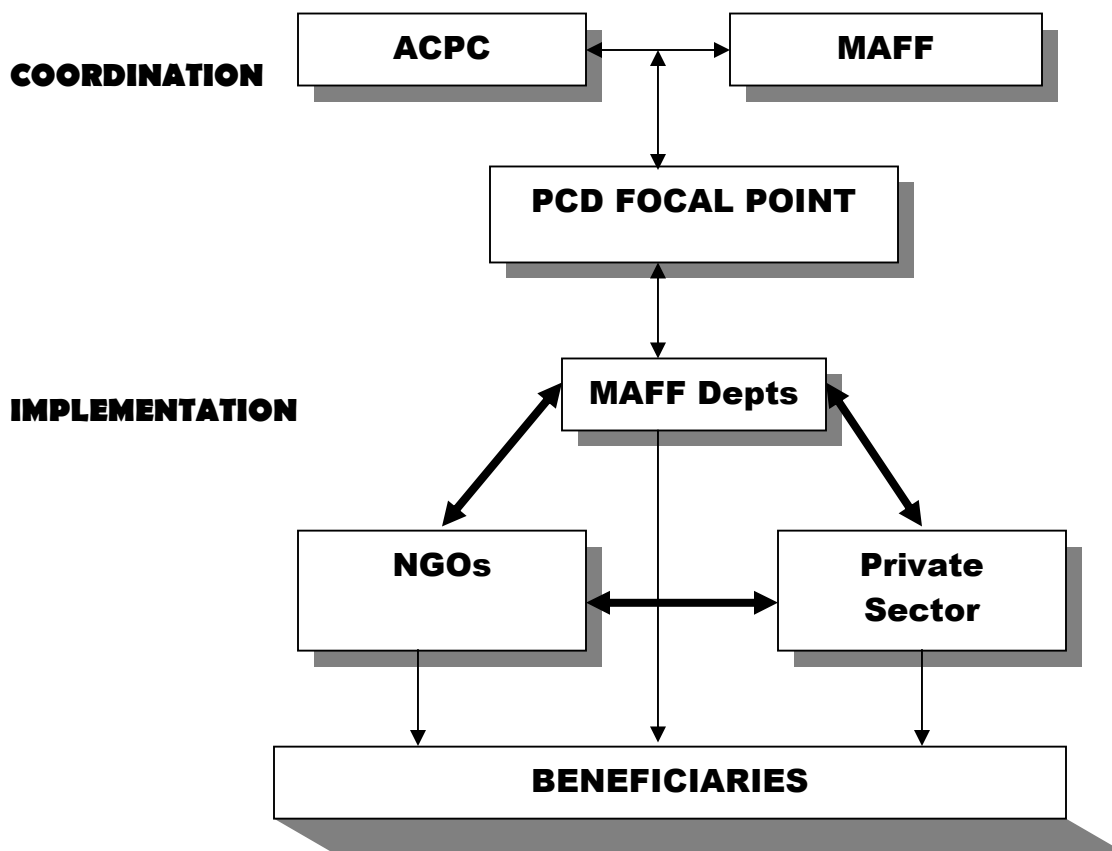
- iv. Development of a demand-driven agricultural research program based on the comparative advantage of each region.
- v. Efficient delivery of demand-driven agricultural extension services by the government, the private sector, and NGOs.
- vi. Enhanced stakeholder participation and consultation, in program implementation and review.
- vii. Enhancement of private sector/small-holder partnerships to improve agricultural services, such as input supply and product marketing.
- viii. Improved institutional capacity of MAFF and District Agricultural Committees for ACP implementation.
- ix. Enhanced capacity of the Ministry of Lands to issue agriculture land title deeds more expeditiously.
- x. The outgrower/contract farming schemes would provide a market-driven economic model to improve smallholder production.
- xi. The establishment of the Agriculture Development Fund will service all viable agriculture financial institutions and farmers.
- xii. The availability of comprehensive and reliable agricultural data and market information to guide market behavior of all participants in the market economy.
- xiii. Significant reduction in poverty levels among smallholder farmers.

## **4.0 IMPLEMENTATION AND INSTITUTIONAL ARRANGEMENTS**

### **4.1. COORDINATION AND IMPLEMENTATION OF ACP**

153. The long-term goal of the government is to reduce its activities to a few public activities and therefore, the government has been contracting out the provision of some of the agricultural services to non-government institutions. In some areas, the private sector and NGOs have taken-over or complement the government in the provision of some of the services. In other areas, significant non-government activities have not yet emerged. However, it is hoped that the proposed interventions to improve the agriculture investment climate will encourage the private sector to assume more responsibilities.
154. The other significant development is that stakeholders want to be involved in decision-making, identification of development solutions, implementation, and monitoring and evaluation. With optional delivery systems, the interest of communities is receiving quality services at the least cost, irrespective of who is providing the service. Based on the past experience, it is clear that the government does not have comparative advantage in providing a number of services. This calls for identification of some of the services to be provided through the government, the private sector, and the NGOs and other special arrangements. Figure 2 illustrates the coordination and implementation arrangements for the ACP.

**Figure 2. Coordination and Implementation of ACP**



#### **4.1.1 CO-ORDINATION**

155. MAFF will be the host and main coordinator of the programme through the office of the Permanent Secretary. In order to involve stakeholders in the coordination of the programme, an *Agricultural Commercialisation Programme Committee* (ACPC) will be established, whose members will be appointed by the Permanent Secretary. It will draw members from different stakeholder institutions such as the public sector, private sector, NGOs and any other relevant institutions. The ACPC functions will be to guide the programme policy direction and advise MAFF accordingly on matters related to the ACP. The role of the ACPC will not conflict with that of the Agricultural Consultative Forum (ACF) as the later will retain its broader policy advisory mandate beyond the ACP.

156. A full-time ***PCD Focal Point*** office will be identified within the Policy & Planning Branch of MAFF to coordinate the operations of the Programme. This office will act as the Secretariat of the ACPC, monitor and evaluate, and overall coordination of the day to day implementation of the ACP. The specific functions of the PCD Focal Point will be to steer and supervise the implementation of ACP through:
- i. Facilitating development of appropriate work plans for the implementation of ACP.
  - ii. Facilitating review of quarterly semi-annual and annual reports from all implementation units, budget revisions, and contracted services.
  - iii. Facilitating timely contracting of competent private sector and non-government organizations, and individuals to assist in providing some of the agricultural services.
  - iv. Facilitating management of support services to ongoing projects.
  - v. Facilitating supervision and overall monitoring and evaluation of the on going activities.
157. In order to ensure full commitment to ACP, the PCD Focal Point should be availed adequate resources, personnel, and incentives. Depending on need and demand, the PSD Focal Point could be strengthened with technical assistance.

#### **4.1.2 IMPLEMENTATION**

158. The Programme will be implemented through existing MAFF structures in collaboration with private sector and NGO partners. The MAFF structure for implementation exists at three levels, i.e. headquarters, provincial, and district. Many of the functions are actually undertaken at district level, with blocks and camps playing an interfacing role with the communities. The ACP will devolve the implementation of most core function activities and financial authority to districts with clearly defined boundaries so as to allow for high level of autonomy and accountability. The ACP will also encourage efficient use and allocation of

resources, with emphasis being placed on raising capacity and increasing the flow of resources to districts. To achieve this, there will be need to strengthen district management capacity so as to enable them develop work plans and implement activities based on ACP framework.

159. To ensure effective public-private sector-NGO collaboration as illustrated in Figure 2 above, the core functions of each player are described below and spelt out in Table 9.

160. ***The Core Functions of Government*** include policy formulation and review, resource mobilisation, enforcement of regulations and inspection, control of pests and diseases of national importance, and monitoring and evaluation. Government will systematically and gradually withdraw from non-core functions while capacity is being raised for other players to take them over.

161. ***Public-Private Sector Partnerships:*** The role of the private sector is to complement the government effort in development process through partnerships. The ACP will facilitate public-private sector partnerships in delivering services, promotion of support to outlying areas and underprivileged farmer-groups, facilitating private sector involvement in the control of pests and diseases of national importance, promoting capacity building within public and private organisations, and promoting demand driven contracts on research and extension services.

162. ***Targeted programmes and activities:*** These include sub-sector and geographically targeted activities and services implemented by the private sector and NGOs, such as SHEMA and EEOA. The funding arrangements for such programmes include direct donor support, either under special arrangements with MAFF or direct funding of NGO's and private organisations. These are funded through independent implementing arrangements and MAFF is only systematically informed and also monitors and evaluates the performance. The ACP will support initiatives under such arrangements.

163. The ACP will quickly expand on the range of contracted services. This entails reorienting all activities of existing partnerships so that they pursue activities to enhance the attainment of ACP goals. Based on the above, there are increasing demands for shared responsibilities and accountability. This implies that flexible service delivery systems are needed to quickly respond to the demands of all stakeholders.
164. **District Agriculture Committees (DACs):** The main thrust of ACP is empowerment of local people in decision-making relating to local development initiatives or efforts. The ACP will quickly invest in upgrading the management capacity of district staff and DACs. The PACO will backstop the DACs.
165. The other intervention is to strengthen the links of DACs and the headquarters through converting one of the meetings of DACs into the annual supervisory meeting with representatives of ACPC in attendance. The supervisory meeting will review the district annual progress reports and approve annual plans and budgets, and the major contracts to be awarded in the district. The other DAC meetings will deal with district management of ACP, review of quarterly reports, approve budget revisions, and short list m contracts to be awarded in the supervisory meeting. In view of these demanding functions, the qualifications of DAC members should be revised upwards.
166. During ASIP, DACs were not adequately funded and therefore their contribution was minimal. Under the ACP, the funding policy will clearly specify the types of supporting services, which are fundable (ACP log frame). Funds will be channeled directly into the bank account of the unit providing services on a quarterly basis. However, these funds will only be released upon submission of acceptable financial and progress reports.

**Table 9: Proposed Stakeholder Roles in the ACP**

<b>COMPONENT</b>	<b>CORE FUNCTIONS (GOVERNMENT)</b>	<b>CONTRACTED SERVICES (PARTNERSHIPS)</b>	<b>TARGETED PROGRAMMES &amp; ACTIVITIES (PRIVATE SECTOR &amp; NGO)</b>
(a) Marketing, Trade & Agribusiness Promotion	<ul style="list-style-type: none"> <li>• Policy</li> <li>• Legal and Regulatory framework</li> <li>• Development of quality grades and standards</li> <li>• National Strategic Reserve</li> </ul>	<ul style="list-style-type: none"> <li>• Market Information</li> <li>• Targeted support (marketing, financing, fertilizer, other inputs, and outputs)</li> <li>• Private sector capacity building</li> <li>• Export support services</li> <li>• Market Extension</li> <li>• Market Research</li> <li>• Market physical infrastructure</li> <li>• Entrepreneurship development</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing</li> <li>• Input supply,</li> <li>• Output marketing, storage, transport, Trading</li> <li>• Enforcement of grades and standards</li> <li>• Value adding</li> <li>• Agri-business</li> </ul>
(b) Agricultural Finance	<ul style="list-style-type: none"> <li>• Policy</li> <li>• Fund mobilization</li> <li>• Capacity building</li> <li>• Infrastructure development</li> <li>• Technical expertise provision</li> <li>• Market information</li> </ul>	<ul style="list-style-type: none"> <li>• Steering Committee</li> <li>• Programme implementation unit</li> <li>• Capacity building fund</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Finance Fund (crop, livestock, fisheries)</li> </ul>
(c) Agricultural Infrastructure	<ul style="list-style-type: none"> <li>• Infrastructure development and maintenance</li> <li>• Funds mobilization</li> <li>• Contracting</li> <li>• Public works – feeder roads, rural electrification, bridges, telecommunication</li> </ul>	<ul style="list-style-type: none"> <li>• Community based infrastructure programmes – farm structures, irrigation facilities, dams, storage</li> <li>• Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> <li>• Maintenance and use</li> </ul>
(d) Technology Development and Dissemination	<ul style="list-style-type: none"> <li>• Policy</li> <li>• Regulation – seed certification, phytosanitary, standards, import and export permits</li> <li>• Basic research</li> <li>• Disease control</li> </ul>	<ul style="list-style-type: none"> <li>• Extension (crops, livestock, fisheries)</li> <li>• Adaptive research</li> <li>• Training and capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Extension and Research for commercially viable crops (Research and development)</li> </ul>
(e) Sector Management & Coordination	<ul style="list-style-type: none"> <li>• Policy</li> <li>• Financial management</li> <li>• Government procurement</li> <li>• Training and capacity building</li> <li>• Monitoring and Evaluation</li> <li>• Donor Coordination</li> </ul>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Stakeholder consultation</li> <li>• Project implementation &amp; management (SHEMP, Economic Expansion etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Programme implementation</li> <li>• Development programme.</li> </ul>

### 4.1.3 LINKAGES WITH OTHER PROGRAMMES AND INSTITUTIONS

167. It is clear that ACP will not provide for all the needs of stakeholders in the agricultural sector. Therefore, regular consultations with relevant stakeholders with a bearing on the agricultural sector will be required. This will ensure that the services provided through other institutions benefit the ACP target group.

### 4.2 TIME-FRAMES AND STEPS FOR ACP IMPLEMENTATION

168. The implementation of the ACP will start in 2002 and is expected to coincide with the launch of the PRSP. This will ensure that there is no major gap between the end of ASIP and the launch of ACP. The ACP will be implemented in the sequence as shown in Table 10. Execution will continue for 4 years to 2005.

**Table 10. Time Schedule for the Implementation of ACP**

Activity	2001		2002				
	N	D	J	F	M	A	M
Dissemination of the ACP report to all stakeholders							
Approval of ACP report by MAFF							
Adoption of ACP Report by MAFF							
Development of detailed Action Plans and budgets							
PCD Focal Point in place							
Undertake a Baseline study							
Execution of the planned activities							

## 5.0 MONITORING AND EVALUATION

169. Monitoring and evaluation (M&E) are important in the assessment of the effectiveness of interventions with respect to targets specified in the log-frame. Therefore, M&E provides the basis for management to take corrective action to ensure that targets are achieved.
170. During ASIP, M&E arrangements led to the development of prototypes that enabled collection of a uniform set of data especially for Extension field activities. The Sector Performance Analysis (SPA) was also done on a timely basis and guided the direction of ASIP. The adoption of the Logframe approach to planning and the linkage of activities to budgets was a major move towards accountability and efficiency.
171. A major criticism of ASIP was the failure to adequately monitor and evaluate the programme. The shortcomings of ASIP monitoring and evaluation were that the Logical Frameworks for the Programme and its sub-programmes were not well developed and therefore, could not be optimally used as management tools for planning and monitoring. Notable among the weaknesses was the lack of prioritization of activities to guide resource allocation, delays in implementing the Management Information System (MIS) and staffing problem for the central M&E unit.
172. The essential elements of the ACP monitoring and evaluation system are specification of the performance indicators, description of the mechanisms for monitoring and evaluation, and description of mechanisms to be employed in translating the monitoring and evaluation data and information into adjustments of implementation.

## 5.1 PERFORMANCE INDICATORS

173. The ACP monitoring system is based on the logical framework (**Annex 3**), which has provided the basis for future planning, implementation, monitoring, and evaluation of activities. The performance indicators to measure progress and success in the implementation of the plan are set out for each programme component. However, it was not possible to obtain the correct figures for a number of indicators, and therefore, **XX** was inserted to indicate that data is needed. This is the justification for undertaking a quick baseline study and thereafter conducting the stakeholder workshop to establish the targets.

## 5.2 MONITORING

174. ACP will establish an adequate monitoring and information system, which will enable the generation of relevant indicators of performance. The ACP monitoring system will consist of annual work-plans, progress reports, and specific monitoring forms to collect information on the ACP activities and indicators in the log frame.
175. Work plans indicate the activities to be undertaken to achieve the set targets. These will be developed at major implementation points, such as district, national level, and other major units involved in the implementation of the ACP.
176. **Annual Work Plan:** The plan will be generated in a participatory way through active participation of stakeholders. The work plans will be prepared towards the end of the year and would serve as an implementation guide for staff. The work plans will specify the time schedule of activities to meet the set implementation schedules.
177. In addition, the implementation units will be required to develop a Monthly Work Plan, indicating the day-to-day implementation guide of the annual work plan. This plan will specify the person responsible for each activity and copies will be

sent to the PCD. As an internal tool, implementation units will also develop a Weekly Action Plan to facilitate implementation and keep track of monthly work plans.

178. The Unit Managers at different implementation points will be responsible for the development of the work plans. Once the plan is developed, a copy will be sent to the PACO and the M&E in PCD.
179. **Consolidated Annual Work Plan:** This will be developed in the PCD through aggregating the annual work plans from the various implementation points. This plan will also include all M & E activities to be undertaken by the PCD. The ACP annual work plan will outline the outputs, the activities, and the targets to be achieved and is the basis for reviewing the performance and preparing annual reports.
180. **Progress Reports:** The implementing units will be required to keep a minimum set of data and information as a part of the Management Information System (MIS). This will provide ACP management with information on performance in relation to the implementation targets and assist in making informed and timely decisions on matters affecting the smooth implementation of the ACP.
181. Progress Reports will provide a feed back to supervisors on the progress of implementation of the ACP based on the output/activity targets as compared to the actual achievements. They also indicate the problems that require management attention, therefore, timeliness of progress reports is very important in taking timely decisions. A standard report format will be developed for monthly, quarterly and annual reports to capture standard data at headquarters. Three levels of reporting will be undertaken: monthly, quarterly, and annual reports.

182. **Monthly Report:** This will be for internal management use at implementation level and will highlight the progress made in achieving the expected outputs, activities, and the desired impact. The responsible officers/managers will compile the monthly report .
183. **Quarterly Report:** Using the monthly reports, three quarterly reports, per year, will be prepared by the PCD to review the activities implemented during the quarter and to analyze the achievements and constraints/issues.
184. **Annual Report:** This will be compiled by the PCD and will analyze the implementation process in relation to targets and review the activities implemented and the achievements and constraints/issues.
185. **Financial Reports:** The managers of the various implementation points will prepare timely quarterly financial reports linked to activity based budgets. These reports will compare planned budgets against actual expenditure. Timeliness of financial reports is important, as additional funding will be tied to submission of acceptable reports.
186. **Monitoring Forms** will collect specific M & E information about the ACP components. This information will be based on quarterly observations on the progress of ACP implementation
187. The ACP will also encourage the community to actively participate in monitoring the indicators to measure progress in the attainment of expected results. In addition, field inspections and visits will also be part of the monitoring system and is essential for obtaining beneficiary views and suggestions for improving the effectiveness of interventions.

## 5.3 EVALUATION

188. The proposed interventions are expected to generate some positive impact on the key indicators of the ACP. The impact monitoring will be based on data and information generated from the Baseline Survey and follow up surveys, such as annual performance analysis, mid-term reviews, and the final sector performance analysis. It is expected that ACP will conduct the mid-term review in 2004 to review the programme intervention logic, design, and performance. This will enable stakeholders to determine if ACP is going in the right direction, i.e. verify the relevance of activities to results and purpose and to recommend changes. The full evaluation of ACP will be undertaken in the last year of implementation.
189. MAFF's PPB will be responsible for the evaluation of the ACP. However, all surveys will be contracted to qualified institutions based on a competitive tender. Past delays in conducting evaluations were not helpful in refocusing the thrust of ASIP and therefore, procurement procedures will be streamlined.
190. The evaluation of ACP will be undertaken at two levels, i.e. internal, using unit staff and external, using consultants. The purpose of internal monitoring will be to monitor the effectiveness and the impact of the ACP activities through case studies, tracer studies, and other appropriate instruments. On the other hand, external evaluation will review the performance and effectiveness in achieving objectives, outputs, effects, and impact. This will consist of the baseline studies, yearly performance and impact assessment studies through consultants, and mid-term and terminal evaluations.
191. **Management Meetings** will deal with problems identified by the M & E system. In order to avoid delays, regular meetings (unit and national levels) will be held to resolve the problems arising from the implementation of the ACP.

## **5.4. FINANCING MONITORING AND EVALUATION ACTIVITIES**

192. Since the ACP will be implemented through many stakeholders, there is urgent need for an effective M&E system. Monitoring and evaluation of the emerging interventions requires adequate funding. Being a cross cutting issue, all components of the ACP, irrespective of the implementation channel, will help to fund M&E activities at all levels. It is proposed that all contracts awarded under the ACP will contribute 5% of the budget to M&E. This is in addition to the normal budget allocations

## 6.0 RISKS AND ASSUMPTIONS

193. There are several exogenous factors, which if not addressed, can constrain effective implementation of the ACP. The risks and related mitigation measures are summarized in the Table 11.

**Table 11: Assumptions and Risks**

<b>RISK</b>	<b>RISK MINIMIZATION MEASURE</b>
<ul style="list-style-type: none"> <li>National Agricultural Policy (NAP) not adopted by government</li> </ul>	Government commitment to agricultural development as the engine for economic growth
<ul style="list-style-type: none"> <li>Required Financial Resource flows (government and donor) not forthcoming</li> </ul>	Strong lobbying of MOFED MOFED to consider agriculture as a priority sector. Good governance and consistent political pronouncements
<ul style="list-style-type: none"> <li>Macroeconomic instability</li> </ul>	Consistent economic pronouncements Prioritization in the utilization of resources Fiscal discipline
<ul style="list-style-type: none"> <li>4. HIV/AIDS pandemic worsens</li> </ul>	HIV/AIDS prevention messages to become essential components of agriculture extension services
<ul style="list-style-type: none"> <li>Weak inter-institutional linkages for effective Programme implementation</li> </ul>	Inter-sectoral committees established
<ul style="list-style-type: none"> <li>Public/private partnership does not Materialize</li> </ul>	Provide incentives to private sector e.g. cost sharing arrangement, tax incentives
<ul style="list-style-type: none"> <li>Low or poor remuneration packages for the public sector staff</li> </ul>	Review and implement improved conditions of service
<ul style="list-style-type: none"> <li>Inadequate incentives for private sector investment in agriculture</li> </ul>	Provide monetary and fiscal incentives to the private sector investing in the agriculture sector especially in rural areas
<ul style="list-style-type: none"> <li>Unfavorable weather conditions</li> </ul>	Improved weather forecasts and mitigation measures
<ul style="list-style-type: none"> <li>Political interference</li> </ul>	Minimize frequent change of political leadership in the sector
<ul style="list-style-type: none"> <li>External political, socio, and economic instabilities</li> </ul>	Enhanced regional cooperation and integration
<ul style="list-style-type: none"> <li>External debt of FRA and non-core functions</li> </ul>	MOFED to clear FRA debt FRA debt not tied to MAFF budgetary allocation De-link FRA from fertilizer programmes
<ul style="list-style-type: none"> <li>Slow pace of Public Service Reform Programme Implementation</li> </ul>	Accelerate PSRP Implementation
<ul style="list-style-type: none"> <li>Non-adoption of new MAFF structure</li> </ul>	Accelerate the restructuring
<ul style="list-style-type: none"> <li>Slow implementation of Poverty Reduction Strategy Programme</li> </ul>	Accelerate implementation of PRSP

## **7.0 COSTS AND FINANCING**

### **7.1 BUDGET**

#### **7.1.1 SOURCES OF ACP RESOURCES**

194. One of the reasons for the poor performance of ASIP was the failure to meet the financial pledges for implementing the programme. The success of the ACP will depend on its financing and therefore, the ACP will put in place transparent and confidence building measures to ensure successful mobilization of the needed resources. There is no doubt that the ACP will depend on the Government support, the contribution of the private sector, the contribution of beneficiaries, and the contribution of cooperating partners.
195. In the case of the government, it is expected that higher proportions of the national budget will be allocated to the agricultural sector, especially, the resources arising out of HIPC.<sup>8</sup> There is no doubt that some growth should come from better utilization of existing resources. In addition, additional growth could come from allocating additional resources (at least 10% of the budget) to the agriculture sector. In 2001, the total GRZ allocation to (MAFF, FRA, and the Starter-Pack through the Ministry of Community Development and Social Welfare) was approximately K126 billion. This is not enough to generate a growth rate of 7 percent per annum, prescribed by the PRSP and estimates show that a minimum budgetary allocation of approximately K300 billion would be required by the agriculture sector per annum. In view of the competing demands from other sectors, the government has to prioritize the development of the agriculture sector as the basis for widespread reduction of poverty.
196. For a long time, a number of Cooperating Partners have been assisting the agricultural sector. In recent years, the agriculture sector has experienced a downward trend in the number of Donors assisting the sector and the volume of

donor support. The concerns of donors, identified in section 4.1, will be addressed, therefore, it is expected that they will restore their confidence in the agriculture sector and allocate more resources. Based on the 2001 budget, Donors were expected to contribute approximately 52 percent of the total budget (K5,015.05 billion). In the last five years, most of the Donor funds were for enhancement of service delivery and infrastructure development and only devoted small proportions to direct promotion of production.

197. While the ACP appreciates the role of capacity building, there is now general agreement that reasonable capacity has been developed and that the focus should now be on activities that will fully utilize the existing capacity. This means that ACP will only devote a small proportion of the resources to targeted demand-driven capacity building. Therefore, ACP will renegotiate with Cooperating Partners the utilization of Donor funds with a view to significantly increase support to activities that would quickly enhance production and sector growth.
198. It is strongly recommended that most of the borrowed funds should be spent only on activities that would directly generate money to payback the loans. In addition, GRZ funds and incentives should be used to enhance capacity utilization. However, bilateral Donor support in form of grants and some GRZ funds should be used to provide demand-driven supporting services. It is important to note that in the next three years, savings through the HIPC initiative will complement GRZ resources. It is hoped that this will expand the range of activities to be funded.
199. The private sector and the beneficiaries are partners in the development of the agricultural sector. It is expected that they will contribute to the cost of the programme through taking investment risks and direct cost sharing. In line with cost sharing arrangements under the Rural Investment Fund, beneficiaries will be expected to contribute at least 25 percent of the ACP costs.

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<sup>8</sup> Over the years, GRZ budget allocations to the agriculture sector have averaged less than 4%.

### **7.1.2.COST OF ACP INTERVENTIONS**

200. The achievement of the expected outputs of the ACP requires huge amounts of resources. The working group thematic budgets amounted to approximately US \$280 million over the four-year period. Even though the PRSP planning period is three years, the ACP will be a four-year programme. This is because the impacts of any intervention take long to become apparent and therefore, past agriculture sector planning periods were four years.
201. In view of the competing demands on the available resources, the PRSP has recommended that the agriculture sector should be given US \$200 million in the first three years or US \$66.7 million per year. This is in addition to the personal emoluments of MAFF staff<sup>9</sup>. Therefore, over the next three years, the ACP has adopted the PRSP allocation as the ceiling for the agriculture sector.
202. The sector will be reorienting the absorptive capacity during the programme period, leading to US\$60 million utilized in the first year, US\$67.98 million in second year, US\$75 million in third year and US\$82 million in the final year. Even though the PRSP ends in the third year, the ACP budget assumes that additional resources would be made available to undertake the planned activities in the fourth year.
203. Every year, the agriculture sector will prepare the annual work plan as the basis for the annual budget. As indicated earlier, this will be derived from the annual work plans and budgets of all implementing units. Table 12 presents the ACP budget. The structure of the budget is based on the expected outputs of the ACP

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<sup>9</sup> Over the next three years, the PRSP has set aside \$200 million to meet the PEs of all civil servants. In 2000, the budget for MAFF was K32.3 billion (K19.7 billion for PEs, K10.2 billion for RDCs, K0.2 billion for grants and other payments, and K2.2 billion for capital expenditure). Following the salary increase of approximately 80% for all civil servants, the total PEs has increased to approximately K35.5 billion.

components, which will be valid for all budget holders. However, the detail (activities and the inputs) will vary among the various districts and other implementing agents.

204. On the basis of the priorities of the ACP, the budget allocations for the various components are: Marketing, Trade, and Agribusiness Promotion (20%); Agriculture Finance and Investment (35%); Agriculture Infrastructure and Land Development (15%); Technology Development and Dissemination (20%), and Sector Management and Coordination (10%). Within each component, the expected outputs have also been assigned proportions based on the priorities indicated by the proposals from the various working group themes.

**Table 12: Summary ACP Budget**

Component/Output	%Total	2002	2003	2004	2005	TOTAL
<b>Marketing, Trade, and Agribusiness Promotion:</b>	<b>0.200</b>	<b>12.000</b>	<b>13.200</b>	<b>14.520</b>	<b>15.972</b>	<b>55.692</b>
<input type="checkbox"/> Improving environment for private investment	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Enhancing entrepreneurial skills	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Market information	0.015	0.900	0.990	1.089	1.198	4.177
<input type="checkbox"/> Increased production of food products	0.030	1.800	1.980	2.178	2.396	8.354
<input type="checkbox"/> Increasing production of high value products	0.100	6.000	6.600	7.260	7.986	27.846
<input type="checkbox"/> Increasing processing capacity	0.030	1.800	1.980	2.178	2.396	8.354
<input type="checkbox"/> Increasing use of grades and standards	0.015	0.900	0.990	1.089	1.198	4.177
<b>Agricultural Finance and Investment:</b>	<b>0.350</b>	<b>21.000</b>	<b>23.100</b>	<b>25.410</b>	<b>27.951</b>	<b>97.461</b>
<input type="checkbox"/> Improving Environment for Agriculture Finance	0.020	1.200	1.320	1.452	1.597	5.569
<input type="checkbox"/> Increasing Volume of credit	0.300	18.000	19.800	21.780	23.958	83.538
<input type="checkbox"/> Increasing Access to Credit and insurance Services	0.030	1.800	1.980	2.178	2.396	8.354
<b>Agriculture Infrastructure and Land Development:</b>	<b>0.150</b>	<b>9.000</b>	<b>9.900</b>	<b>10.890</b>	<b>11.979</b>	<b>41.769</b>
<input type="checkbox"/> Community Mobilization	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Improving Community Infrastructure	0.090	5.400	5.940	6.534	7.187	25.061
<input type="checkbox"/> Increasing Use of Labor –based techniques	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Improved Agriculture Land Delivery System	0.050	3.000	3.300	3.630	3.993	13.923
<b>Technology Development and Dissemination:</b>	<b>0.200</b>	<b>12.000</b>	<b>13.200</b>	<b>14.520</b>	<b>15.972</b>	<b>55.692</b>
<input type="checkbox"/> On-farm adaptation of products with comparative advantage	0.050	3.000	3.300	3.630	3.993	13.923
<input type="checkbox"/> Improving technology and market information dissemination	0.100	6.000	6.600	7.260	7.986	27.846
<input type="checkbox"/> Reduction of outbreaks of diseases and pests	0.050	3.000	3.300	3.630	3.993	13.923
<b>Resource Management and Coordination:</b>	<b>0.100</b>	<b>6.000</b>	<b>6.600</b>	<b>7.260</b>	<b>7.986</b>	<b>27.846</b>
<input type="checkbox"/> Enhancing capacity for sector management, policy review, monitoring, and evaluation	0.040	2.400	2.640	2.904	3.194	11.138
<input type="checkbox"/> Enhancing capacity for stakeholder coordination	0.015	0.900	0.990	1.089	1.198	4.177
<input type="checkbox"/> Enhancing capacity for financial management	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Enhancing capacity for procurement	0.005	0.300	0.330	0.363	0.399	1.392
<input type="checkbox"/> Enhancing capacity for human resource training and development	0.030	1.800	1.980	2.178	2.396	8.354
<input type="checkbox"/> Enhancing capacity to deal with environmental, HIV/AIDS, and Gender	0.005	0.300	0.330	0.363	0.399	0.439
<b>Total</b>	<b>1.000</b>	<b>60.000</b>	<b>67.980</b>	<b>74.778</b>	<b>82.256</b>	<b>286.814</b>

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